Austria ... Sch 15	Indonesia ... Rp 2500	Portugal ... Esc 65
Bahrain ... Din 0.550	Italy ... L 1100	S. Arabia ... Rls 6.00
Belgium ... Fr 35	Japan ... Y550	Singapore ... S$ 4.10
Canada ... C$1.50	Jordan ... Fils 500	Spain ... Pts 95
Cyprus ... Mils 600	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 7.00	Lebanon ... L 6.00	Sweden ... Skr 6.50
Egypt ... £E1.00	Luxembourg ... LFr 35	Switzerland ... SwFr 2
Finland ... Fmk 5.50	Malaysia ... Rin 4.25	Taiwan ... NT $65
France ... Fr 5.50	Mexico ... Pes 300	Tunisia ... Din 0.600
Germany ... DM 2.00	Morocco ... Dh 6.00	Turkey ... L 160
Greece ... Dr 60	Netherlands ... Fl 2.25	UAE ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Nkr 6.00	U.S.A. ... $1.50
India ... Rup 15	Philippines ... Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,121 — Friday September 16 1983 — D 8523 B

For the bankers it's mañana in Venezuela, Page 5

NEWS SUMMARY

GENERAL

U.S. puts forward Lebanon solution

In a renewed effort to obtain a ceasefire in Lebanon the U.S. yesterday put forward its own peace plan. Lebanese Air Force jets flew over Beirut to emphasise the Government's continued resolve to resist attacks by Druze militia.

Details of the U.S. proposals are unclear but President Gemayel continues to resist the Syrian and Druze demand for a total withdrawal of Lebanese troops from the mountains.

Syria accused the U.S. of raising tension in Lebanon, treating the country as a U.S. protectorate and hampering Arab efforts to get a ceasefire.

Two French soldiers were seriously wounded yesterday when a grenade was thrown at their position in West Beirut. Page 4

Forged dollars

West German police seized $600,000 in forged U.S. banknotes, forged driving licences and car documents and arrested four people in northern Germany yesterday.

Portuguese talks

President Reagan and Portuguese President Antonio Ramalho Eanes met in Washington yesterday to discuss issues including the future of a U.S. air base in the mid-Atlantic Azores islands.

Labour EEC pledge

Mr Neil Kinnock, favourite to win the British Labour Party leadership election, told the European Parliament's socialist group that withdrawal from the EEC would be a "last resort." Page 10

Negri prison plea

Italian leftwing professor Toni Negri, freed from jail after his election to Parliament, yesterday asked fellow deputies to authorise his trial on alleged terrorist offences to continue, but not to send him back to jail. Page 3

Belgian shutdown

Belgian public services were almost at a standstill yesterday because of a 24-hour strike in protest against plans to cut public-sector jobs and wages.

Italian port strike

Genoa, Italy's biggest port, is due to be shut down by a 24-hour strike today in protest at government plans to close much of the city's steel and shipbuilding industries.

Dutch protest

More than 300 demonstrators sealed off the American embassy in the Hague, Netherlands, in a protest against U.S. policy in Central America. Also 35 people in Eindhoven sat on railway lines to stop a U.S. troop train in protest at Nato exercises.

Air traffic halted

Dutch air traffic controllers halted flights from Amsterdam's Schiphol Airport for two hours yesterday in protest at planned job cuts.

Prisoners swap

Palestine Liberation Organisation executive committee member Salah Khalaf said in Kuwait that Israel was negotiating with the PLO to exchange eight Israeli prisoners for 8,000 Palestinians.

Briefly

Sniper shooting from a window in Vienna injured five, then escaped.

Two died and 15 were injured when a truck hit a West German tourist bus near Eisenstadt, Austria.

BUSINESS

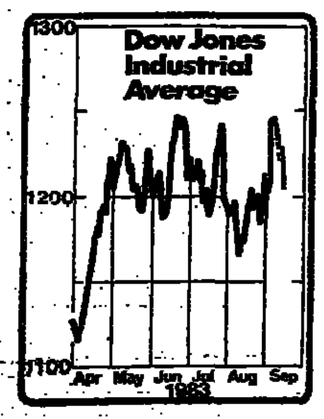
Shortage of cash for poor 'critical'

● WORLD BANK says the problem of procuring funds for the International Development Association, the part of the World Bank which lends to the poorest countries, is becoming critical. Page 18

● DOLLAR fell to DM 2.6785 (DM 2.6855), SwFr 2.1765 (SwFr 2.1845), FFr 8.0875 (FFr 8.105) and Y244.5 (Y245.25). Its trade-weighted index was 129 (129.1). In New York it close DM 2.677; SwFr 2.176; FFr 8.0825 and Y244.5. Page 39

● STERLING rose 70 points to close at $1.4975. It finished in London at DM 4.0125 (DM 4.005), SwFr 3.2625 (SwFr 3.26), FFr 12.1075 (FFr 12.08) and Y366.5 (Y365.75). Its trade-weighted index was 84.9 (84.8). In New York, it closed at $1.4995. Page 39

● LONDON: The FT Industrial Ordinary Index fell 2.9 to close at 696.9. In gilts gains in the mediums rarely exceeded ⅛ while the longs were generally ⅛ off. Report, FT Share Information Service, Pages 33-35.



● WALL STREET: The Dow Jones Index closed down 14.43 at 1215.04. Report, Page 29, Full share listings, Pages 30-32.

● TOKYO: All markets were closed for a public holiday.

● GOLD rose $3.25 an ounce in London to $406.625. In New York the Comex September settlement was $405.2. Page 38

● BRITISH and Belgian electricity industries are considering connecting their national grids by submarine cables similar to those to be installed between England and France. Page 9

● PORTUGAL's Confederation of Industry, representing up to 40,000 companies, accused the Government of spreading the economic crisis by creating new taxes.

● FRANCE's seasonally adjusted trade deficit fell to less than FFr 400m ($49.5m) in August from a FFr 3.03bn deficit in July, President François Mitterrand has said.

● WORLD BANK's annual report, published yesterday, shows that the net income of the International Bank for Reconstruction and Development jumped 28 per cent to a record $752m in the year to June 30. Page 4

● DYNO INDUSTRIER, the Norwegian chemicals, plastics and explosives group, will ask shareholders to approve a NKr 52.4m ($6.99m) increase in share capital to NKr 205m, through an issue of new shares at 175 per cent of par.

● ASEA, the Swedish electronics and engineering group, Europe's largest maker of robots, is to start manufacturing robots in Japan and France next month. Page 6

● CENTRAL AMERICA will need $23bn in foreign capital inflows if its inhabitants are to recover by 1990 the standard of living they enjoyed in 1980, according to Dr Carlos Manuel Castillo, president of the Central Bank of Costa Rica. Page 5

U.S. heading for record current account deficit

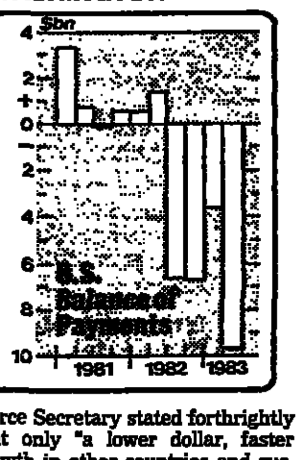
BY ANATOLE KALETSKY IN WASHINGTON

THE U.S. suffered a record current account deficit of $9.7bn in the second quarter, the Commerce Department reported yesterday.

Official economists confirmed that the deficit for 1983 as a whole is likely to dwarf all previous experience, as the country's traditional surplus in service and investment income fails to make up for the fall in merchandise exports and surge in imports caused by the strength of the dollar and the speed of the economic recovery in the U.S.

In a separate release, the Federal Reserve Board announced that industrial production in August increased by 0.9 per cent. Although this figure was the lowest since a 0.5 per cent growth rate in February, it was higher than most economists had expected and suggested that the recovery is still proceeding at a robust rate.

Underlining further the way that the U.S. has outpaced other countries in the past year, the Fed revised upwards the industrial production figures for June and July and noted that the index now stands only 2.3 per cent below its pre-recession peak of July 1981.



Mr Malcolm Baldrige, the Commerce Secretary stated forthrightly that only "a lower dollar, faster growth in other countries and successful resolution of debt problems" in the Third World could produce any significant improvement in the U.S. trade and current accounts. He predicted that, for the year as a whole, the current account will show a deficit of $30bn. This would be almost double the previous record of $15.4bn in 1978.

Even allowing for inflation, a deficit of $30bn this year would be about 40 per cent higher than the 1978 peak. But as the U.S. economy continues to recover, the current account deficit is expected to grow even further next year.

The Reagan Administration has officially forecast a merchandise trade deficit of $90bn in 1984, compared with $60bn to $70bn this year. That could translate into a current account deficit of $50bn or more in 1984 unless improvements in services and investment income took up the slack.

So far, the record deficits in the current account have done nothing to undermine the strength of the dollar because large volumes of capital have been flowing into the U.S. Yesterday's balance of payments breakdown for the second quarter showed that much of this net capital inflow was due to a sharp cutback in U.S. bank lending overseas.

Claims on foreigners by U.S. banks dropped by $3.5bn in the second quarter after rising by $15.9bn in the first quarter

Meanwhile, net inflows of investment funds into the U.S. decelerated. Foreign purchases of U.S. stocks and bonds increased by $2.5bn, compared with a $3bn increase in the first quarter.

Opec call to maintain production ceilings

BY RICHARD JOHNS IN VIENNA

THE Organisation of Petroleum Exporting Countries (Opec), should maintain its ceiling on collective output of 17.5m barrels a day (b/d) and members should observe their quotas, its market monitoring committee decided in Vienna yesterday.

Dr Mana Said al Otaiba, chairman of the four-man ministerial committee, said he and his colleagues would "talk to various member countries" about respecting the allocations originally set under Opec's production-sharing agreement in March.

The main offender during the past three months has been Saudi Arabia, but, out of financial need and also perhaps retaliation Iran has also exceeded its quota.

The committee also intends to ask the North Sea producers, the Soviet Union and Malaysia to restrain increases. "I'm ready to talk to the British," said Dr Otaiba.

Demand has been sufficient to soak up the additional production. Nevertheless, the committee believed market and price stability would be better safeguarded by an attempt to persuade members to observe the 17.5m b/d than by raising it to take account of the higher output which is reckoned to have been anything from 18m to 18.5m b/d during the third quarter.

"I don't believe the market is healthy enough to take an increase," Dr Otaiba said.

The United Arab Emirates' Oil Minister suggested it might be necessary to maintain the output limit until mid-1984 to consolidate an Opec price structure based on a reference price of $29 per barrel and prevent any further decline in worldwide consumption.

The committee's decision reflects concern that the breakdown in discipline might undermine the market stability achieved through strict adherence to quotas

Dr Otaiba referred to the build-up of stocks since the beginning July. The International Energy Agency has provisionally estimated that stock will increase during the third quarter at a rate of 2.2m b/d outside the Communist world and 1.2m b/d in the industrialised countries – the highest rate for any three-month period since 1980.

On breaches of quotas, Dr Otaiba said: "I don't really want to name names – that would be outside our tradition as a family."

CGE and Thomson seek swift approval for major asset swap

BY PAUL BETTS IN PARIS

COMPAGNIE Générale d'Electricité (CGE), the French nationalised electronics conglomerate, is seeking quick approval from the French Socialist Government to go ahead with a major swap of assets with the Thomson group, the country's other large nationalised electronics concern.

The swap would lead to a major restructuring of the country's electronics and telecommunications industries, involving the creation of one single French telecommunications supplier.

M Jean Pierre Brunet, CGE's chairman, and M Georges Pebereau, the group's managing director, both confirmed for the first time yesterday that negotiations with Thomson were at an advanced stage and that the planned industrial asset swap hinged on French Government approval.

But the French post office and telecommunications authorities (PTT) are opposing the proposed deal on the grounds that it would undermine the PTT by creating a monopolistic supplier of telecommunications equipment. Until now the PTT's argument that it was in the national interest to have more than one domestic supplier has prevailed.

M Brunet, however, argued yesterday that the consolidation of the telecommunications industry in France was now in both the interest of the nation and in the interests of the two French companies.

The CGE chairman also said talks were continuing between CGE and France's private Empain-Schneider group over a significant consolidation in the country's nuclear engineering sector.

He said CGE was keen on a partnership between CGE's nuclear engineering subsidiary, Alsthom-Atlantique, and Framatome, the nuclear reactor maker 70 per cent owned by Empain-Schneider's troubled Creusot-Loire subsidiary. He also said CGE wanted to strengthen its urban transport Metro operations with industrial advances in France.

In both the telecommunications and nuclear sectors France now had to consolidate and rationalise its resources to meet the growing challenge of international competition in coming years. He added that these consolidations would also help negotiate major international agreements with overseas groups in the same sectors.

CGE had started realising the need for a restructuring of the domestic telecommunications industry by the end of last year, M Brunet claimed. He said his company contacted M Alain Gomez, chairman of Thomson, who responded favourably to the idea.

But CGE is worried that unless the Government now acts quickly, the negotiations could get bogged down and discourage the two nationalised electronics companies. M Brunet also confirmed that he expected an announcement in the near future on a joint electronic typewriter venture between Olivetti of Italy and Cit-Alcatel, CGE's telecommunications subsidiary.

The CGE-Thomson swap envisages CGE taking control of Thomson's

Continued on Page 18

The future shape of French industry, Page 19

New blow to British Steel plan for U.S. investment

By Terry Dodsworth in New York

THE U.S. Commerce Department delivered a further blow yesterday to the controversial plan to link British Steel Corporation's crude steel production with U.S. Steel's finishing facilities in Philadelphia.

Any deal on these lines might "compel" the Department to file an unfair-trade complaint, said a senior official, giving the first clear indication of the U.S. administration's views on the issue.

Mr Lionel Olmer, Commerce Department Under Secretary, told a House of Representatives trade sub-committee that the project "runs counter to the objectives" of the steel import quota arrangements made with the EEC last year.

The quota restrictions had worked well, he added, in overcoming a serious trade dispute while protecting American producers from "injurious, unfair trade." But the BSC-U.S. Steel project might threaten the agreement with the EEC because the level of imports involved would exceed the figures in the arrangement.

Mr Olmer's argument has already been used by opponents of the project in the U.S., where criticism has mounted from all quarters, including rival steel companies, and the trade unions. Under the terms of the plan, BSC would sell around 3m tonnes of steel slabs to U.S. Steel a year, while taking a substantial equity stake in the Fairless works in Pennsylvania.

The bitter trade union response to the proposals, which are seen as a direct threat to U.S. jobs, was reiterated in vigorous terms at the trade sub-committee yesterday by Mr Lloyd McBride, president of the United Steelworkers of America.

U.S. Steel had chosen "abject surrender" to adverse economic forces in international trade, he said, in part justified by the unwillingness of the "authorities in government to lend the necessary support."

Foreign steel producers had been "eating our lunch for 20 years," he said.

Protests from the steel companies have also included threats to lodge unfair trading complaints. But some of the controversy had recently evaporated because of increasing doubts that "the project would ever get off the ground, partly because of disagreements between the two parties about the amount of investment BSC would be obliged to make.

British steel output rises, Page 9

Finsider plans to eliminate 25,000 jobs

BY JAMES BUXTON IN ROME

FINSIDER, the Italian state steel company, is proposing to cut its workforce by 25,000 by 1985. The cuts would be far greater than any previously planned and would reduce the company's steel workforce by more than a quarter.

The plan was spelt out to the trade unions by Sig Romano Prodi, chairman of the state industrial holding company IRI.

He said Finsider would have to make major closures at the Cornigliano steel plant at Genoa, as well as cuts and closures at other plants.

It would also be difficult to make "adequate" use of the Bagnoli plants near Naples, currently "temporarily" closed because of the fall in the demand for steel, Sig Prodi told union leaders on Wednesday.

Today, the city of Genoa, which contains Italy's biggest port, is due to be shut down by a 24-hour general strike, to protest against Government plans to close large parts of the city's steel and shipbuilding industry.

Genoa alone faces a minimum of 12,000 lost jobs and possibly many more due to the partial closure of the Cornigliano steelworks and of a state-owned shipbuilding yard.

The proposed job losses in Italy's steel and shipbuilding are likely to be followed by cuts in the chemical and aluminium industries, as the Government starts to pare down the previously almost untouchable payrolls of state industry.

The cuts stem from the realisation by the centre-left Government, headed by Sig Bettino Craxi, the Socialist Prime Minister, that it can no longer afford to subsidise overstaffed and inefficient industries in the hope of a major economic upturn.

Sig Gianni de Michelis, the Minister of Labour, told a union conference on Wednesday that Italy was "risking bankruptcy" with a public sector borrowing requirement forecast for next year of L120,000bn ($75bn), if no spending cuts were made.

Last June, Italy rejected as "unacceptable and inapplicable" demands by the EEC Commission that it cut steelmaking capacity by 5.8m tonnes by the end of 1985, of which 4.8m tonnes would be in the state sector. Total Italian steel capacity is about 35m tonnes a year.

Continued on Page 18

Go-ahead for BP's share sale expected

BY RAY DAFTER, ENERGY EDITOR, IN LONDON

THE UK Government is expected to go ahead with the £500m ($749m) sale of state-owned British Petroleum shares today.

Leading merchant banks and stockbrokers believe they are about to be asked to underwrite the offer of some 120m shares. It is understood that Mr Nigel Lawson, Chancellor of the Exchequer, has decided to sell the shares by tender rather than at a fixed price. The decision to follow the tender route is thought to have been reached in the past few days.

Within the City of London last night it was thought that the Government would fix a minimum tender price of between £3.80 and £4 a share. In the London stock market, the price of BP shares slipped during the day by 4p to £4.28.

The original intention was to start the underwriting yesterday, but the plans were put back slightly by a wrangle over BP's proposed sale of part of its Forties field stake.

Terms of the deal are likely to be outlined today, with the full prospectus being published on Monday. Neither BP nor the Treasury would confirm the timing of the issue.

The issue, part of a broad fund-raising effort on the part of the Treasury, will reduce the Government's stake in BP from around 39 per cent to about 32 per cent. The stock market hopes that the issue will be partly-paid, on the basis that investors will be required to put up only part of the sale price immediately.

The company revealed last week that it planned to sell 12.5 per cent of its dominant interest in the mature North Sea Forties field for about £260m.

On Tuesday this week, Mr Lawson announced that he was closing a tax loophole which BP was hoping to exploit in the sale. BP maintains, however, that there are still plenty of companies interested in taking a stake in Forties.

CONTENTS

GROUP OF TEN MEETING

Accord near on IMF drawings

BY DAVID HOUSEGO IN PARIS

THE Deputy Finance Ministers and central bank governors from the major industrialised countries—the so-called Group of Ten—yesterday narrowed differences over the access which countries in financial difficulties would have to the resources of the International Monetary Fund.

The issue has been a source of dispute between the U.S. and European countries. The Ten now expect to reach agreement before the annual meeting of the IMF at the end of this month.

Sig Lamberto Dini, director general of the Bank of Italy, said after the meeting in Paris yesterday that the IMF gathering would have to provide the Fund with instructions on which to base its lending policies next year. He said he did not see how industrialised countries could go to the Washington meeting of the IMF Interim Committee without a decision being taken.

Yesterday's narrowing of differences appears to reflect concessions from the U.S. The U.S. has been urging that countries' access to the Fund's resources should be reduced to 102 per cent of quota from the current ceiling of 150 per cent. The U.S. argues that this cut-back is needed to offset the 47.5 per cent increase in the Fund's resources agreed earlier.

EEC countries have opposed such a sharp cutback on the grounds that many countries' need for access to IMF resources has increased along with their growing financial difficulties. France has proposed a new drawing limit of 125 per cent of quota, while Britain has suggested that such a limit should be applied only to exceptional cases. Some officials yesterday mentioned a compromise of 110 per cent of quota.

Sig Dini confirmed that discussion still lay between cut-backs of 102 and 125 per cent of quota but said that technical considerations pointed towards the upper limit.

Any decision before the full IMF gathering would imply a U.S. commitment in advance of Congress' decision to ratify the U.S.'s $8.4bn share of the quota increase. A decision would also mean that the final elements of the increase in Fund resources had been put in place.

To ensure an agreement before the annual meeting, officials are expected to hold further rounds of informal talks. The aim would then be for the Group of 10 Finance Ministers meeting in Washington on September 24 to reach a draft accord before the Interim Committee meets the following day.

● Paul Betts adds: Western Government officials were continuing talks on Brazil's and Poland's government-to-government debt problems yesterday. But officials said the current discussions in the Paris Club of Western creditor nations were not expected to lead to any agreement on the rescheduling of some $2bn of Brazil's government-guaranteed debts.

Belgian Cabinet firm in face of strike

BY OUR BRUSSELS CORRESPONDENT

A 24-HOUR general strike paralysed most of Belgium's public services yesterday, but government officials brushed aside union claims that the country's Centre-Right administration was under threat.

The officials reaffirmed the Government's determination to impose a series of public spending cuts totalling BFr 8.3bn (£102m), which are the focus of trade union anger.

The dispute, which began with an isolated strike among railwaymen in the town of Charleroi, has drawn support from all three main public service trade unions.

Yesterday, teachers, dockers and administrative staff in central and local government offices, joined transport and postal workers, who have been on strike since the beginning of this week.

Government officials admitted that the strike was 100 per cent effective throughout the country's transport, postal and telecommunications sectors and that between 40 and 60 per cent of teachers and administrative staff had obeyed union instructions not to report for work yesterday.

The state-run television and radio networks were blacked out for a time but officials said essential services were operating normally.

The unions feel the Government's attempt to cut the Belgian public sector deficit will reduce salaries and jobs in the public services.

The leader of the Socialists' CGSP union said his members would fight the Government "right to the end."

The Cabinet, currently presided over by Mr Jean Gol, the deputy Prime Minister, while Mr Martens recovers from a major heart operation, meets for its regular weekly session this morning, and the Government has invited the public service unions to attend discussions later today.

British, Greek MEPs clash over airliner

BY JOHN WYLES IN STRASBOURG

BRITISH and Greek MEP's clashed angrily yesterday over the European Parliament's condemnation of the destruction of a Korean airliner by the Soviet Union.

During an emergency debate on the issue, the simmering resentment among Greek Socialist MEP's at the behaviour of some British Conservatives boiled over in an angry complaint by Mr Spyridon Plaskovitis of Pasok (the Pan-Hellenic Socialist Party) that 50,000 Greeks had died in World War II "because of British policies."

Lady Elles, the Member for Thames Valley, immediately rounded on him with a complaint about his "fallacious and scandalous" statement. She asserted that many of her generation had died in Greece during World War II "saving your people."

While the majority of MEP's have been highly critical of the Greek Government's refusal as President of the Council of Ministers to allow EEC Foreign Ministers to condemn the Soviet Union jointly last Monday, British Conservatives have been the most extreme in registering their displeasure.

Mr Adam Ferguson, the Member for Strathclyde West, claimed yesterday that the Greek Foreign Minister, Mr Iannis Haralambopoulos, had dealt "a blow to the whole idea of political co-operation" and that Greece's foreign policy was "more aligned with Moscow's than with those of (its) European friends.

The Parliament voted, by 128 votes to 19, to denounce the Soviet action and called for an inquiry into the airliner incident and the payment of full compensation.

By a separate 102 to 42 vote, Greece was obliquely attacked in a clause which regretted very much that under the current Presidency member states could not achieve a satisfactory common position towards the Soviet Union. Greece assured the six-month Presidency in July.

Ironically, only moments after the Parliament voted, Greece's President, Mr Constantine Karamanlis, took the stand to issue a call for greater European unity.

● MR Andreas Papandreou, the Greek Prime Minister, has decided not to attend Mrs Indira Gandhi's informal conference of government leaders at the United Nations in New York in late September because the EEC nine have refused to let him represent the Community there. Andriana Ierodiaconou writes from Athens.

Ground rent row hits Irish mail services

ABOUT 200 postmen and sorting clerks marched to Dublin's Mountjoy Prison yesterday in protest at the jailing of a colleague for three days for refusing to pay his ground rent, Brendan Keenan reports from Dublin.

The postmen also suspended deliveries for the day to the landlord in the case, a subsidiary of McInerney Properties, one of Ireland's largest property groups. Afternoon deliveries were disrupted in the Dublin area.

The imprisoned postman, Mr William O'Toole, objects in principle to paying his I£22 a year ground rent.

Ground rents are a sensitive issue in the Irish Republic, where they are sometimes seen as a relic of English landlordism. Efforts to abolish them have foundered on legal difficulties over private property rights. Instead, a 1978 Act allows lessees to buy out their fee simple for 6½ years' rent, plus up to six years' arrears.

McInerney Properties said they have 4,500 lessees. They were willing to sell the fee simple for better terms than the statutory ones.

Airline bid to win back business

SWISSAIR AND Air France will try to win back business lost to the world's fastest train, the Swiss airline said yesterday, AP-DJ reports from Geneva.

Next week, both carriers will start issuing one-year cards entitling holders to 30 per cent discounts on economy-class and business-class fares on flights between Geneva and Paris.

The move coincides with a further reduction in travel time this month between the two cities on the "train à grand vitesse" operated by the French national railway.

The fast train currently runs between the two cities in 4 hours 15 minutes, but another 35 minutes is to be cut from the travel time later this month.

It takes about three hours to make the journey by air, counting the time needed for check-in, baggage recovery and ground travel.

Spanish budget deficit to rise

BY TOM BURNS IN MADRID

THE SPANISH Government has almost completed the final draft of its first full budget to be presented to Parliament next week. Official sources said the budget deficit would rise although it would, in fact, constitute a slightly lower percentage of the gross domestic product compared to last year's budget.

The draft budget is for Pta 8,480bn ($55.5bn) compared to the Pta 7,252bn budget last year. The planned deficit is Pta 1,320bn, representing 5.5 per cent of GDP against Pta 1,100bn or 6 per cent of the GDP.

The presentation of the budget next week will be accompanied by the formal announcement of a three-year economic recovery programme in which the Government plans to peg wages below the inflation rate.

Details of the programme have been the subject of discussion this week between the Government, employers and the unions.

At the beginning of this year, Sr Miguel Boyer, Economy and Finance Minister, presented an interim budget totalling Pta 400bn to meet immediate obligations and debt payments.

TOM BURNS EXPLAINS THE BACKGROUND TO A GENERAL'S DEMISE

Socialists keep military in check

WHEN LT General Fernando Soteras Casamayor was appointed commanding officer of the Seventh Military region, based in Valladolid, Spain, in May last year, his public comments had a reassuring ring to them: "Everyone is free to have his own ideas but these cannot affect our (military) loyalty and discipline. If anyone wants to pursue politics he can do so, but outside the army."

On the eve of the general elections last October, the general was widely quoted as saying: "If the Socialists win, we in the army will carry on doing our job just the same."

Overnight, General Soteras has changed from being a shining example of a constitutionalist, a safe, senior member of the military hierarchy, to being the tip of an iceberg composed of hard-packed officer resentment and mistrust towards civilian government in general and the Socialists in particular.

The metamorphosis is the result of highly controversial remarks by General Soteras to the best-selling weekly magazine Interviu, and of the Government's swift decision to remove him from his post as commanding officer of a sizeable part of north-central Spain.

The extreme rightwing newspaper El Alcazar, which is owned by the Francoist War Veterans Association, described General Soteras yesterday as an "illustrious and heroic soldier" and said that he had entered the "hall of honour."

The influential left-of-centre daily El Pais said: "The inevitable conclusion is that the military problem remains with us and there is little use in minimising or silencing the threat that this entails to the constitutional system."

What caught the headlines was General Soteras's appeal for a pardon for the 1981 military coup attempt rebels and his virtual justification of the putsch attempt with his claim that they were "gentlemen" who had acted out of patriotic impulses.

The general went on to say the Government should be much tougher with terrorists and added that there was a widespread feeling of anger in the army over the "dishonouring" of the Spanish flag – several Basque mayors have this summer refused to fly the Spanish flag from town hall mastheads and extremists have on occasions burnt it in demonstrations.

General Soteras's comments were undoubtedly a defiant provocation. In recent months the Government has applied house arrests and other sanctions to a string of retired and middle-ranking officers who have voiced similar sympathies over the imprisoned coup rebels in open letters to El Alcazar.

The general not only refused to retract his remarks but was well aware that he would become a *cause célèbre* as the first top-ranking officer with a field command to clash publicly with the Government.

The medium General Soteras chose to speak to, and even the timing of its publication, are in themselves significant. Interviu is a highly successful commercial mix of politics, scandal and nudes. The magazine had published 1m copies of this week's edition, not so much because of the general's remarks but because it included bare-bust photographs of Lola Flores, an ageing and temperamental flamenco singer

The evident intent to provoke a scandal fuels the theory that military unrest and dissatisfaction remains a factor in Spanish politics, as El Pais argued in its editorial, and that this factor has to be taken into account.

The underlying thread of the general's remarks was that the armed forces have a specific role as the supreme guardians of the fortunes of the fatherland. This is an echo of the Francoist precept that the military constitute "the spinal column" of the nation.

Until new generations of officers reach the top of the military hierarchy, such comments and such a mentality are likely to be the norm in Spain. This is particularly so while the coup rebels remain in prison as a potent symbol. General Soteras served as a volunteer on the Russian front in the Second World War, along with Generals Milans del Bosch and Armada, both of whom were sentenced to 30 years as ringleaders of the attempted putsch.

The Government's swift decision to sack General Soteras – he was not due to retire from his command until October next year– indicates at the same time that it is not overawed by generals and is determined to keep them in their place.

General Soteras was replaced by General Ricardo Rivas Nadal, who had been tipped for the Seville-based Second Military Region command. The civilian Defence Minister, Sr Narciso Serra, contributed to the apparent air of calm by leaving on schedule yesterday for a four-day trip to Greece.

The Government publicly maintains that there is no cause for concern. In fact, among General Soteras's remarks was one to the effect that talk of "sabre rattling" was stupid and was nothing more than the invention of "a few journalists and politicians." The irony is that he has succeeded in making sabre rattling a fashionable topic of political commentary all over again.

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EUROPEAN NEWS

Italian Deputies debate Negri's immunity

BY RUPERT CORNWELL IN ROME

THE NEWLY assembled Italian Parliament has lost little time in tackling the most celebrated "cause" thrown up by the summer's general elections: the fate of Prof Toni Negri, previously on trial on serious terrorist charges but elected in June as a deputy for the small leftwing Radical Party.

This week the Lower House began a debate, expected to last into early next week, on whether to remove the immunity from arrest and prosecution, which the former Professor at Padua University won automatically with his election.

Prof Negri's 629 fellow MPs have to decide if he is to return to court to face trial, and — most controversially of all — whether he should be liable for immediate re-arrest and imprisonment as magistrates in several Italian cities have formally demanded.

His original arrest took place in April 1979 as part of a round-up of leading figures in the extreme left-wing 'Autonomist' Movement, heavily focused on the city of Padua and its university.

The magistrates who ordered it maintained then—and still do—that the Autonomist Movement, of which Professor Negri was one of the guiding intellectual lights, was enmeshed with the left-wing terrorism which plagued Italy until so recently.

Since then he had remained in jail before his trial, on various charges, of which the most serious is "armed insurrection against the state," began on February 24, 1983, almost four years after he was taken into custody.

It was widespread sympathy, and gathering controversy over the Italian system of imprisonment before trial, which *largely accounted for his election* to Parliament and subsequent release from jail in early July.

Prof. Tony Negri

The prosecution insists that enough firm evidence—albeit "repentant" terrorists who have agreed to co-operate with the state in return for lighter sentences—exists to prove that Prof Negri was closely involved largely provided by so-called with many terrorist outrages during the 1970s.

But many on the Italian Left proclaim that he is the victim *of a carefully orchestrated* persecution, in part for political motives.

They point to the way in which various earlier allegations against Prof Negri — including one of 'masterminding' the kidnap and murder in 1978 of former Prime Minister Sig Aldo Moro—have been dropped for lack of evidence—only to be replaced promptly by new charges keeping him behind bars.

There seems little doubt that Parliament will authorise resumption of the trial, in which Professor Negri is the key defendant. He, moreover, has indicated his readiness to continue taking part, assuming the *hearings* restart on the scheduled date of September 26.

Much less clear is whether the full Parliament will follow the advice of its specialist judicial affairs committee and strip Prof Negri of his immunity so that he can be re-*arrested*.

Since becoming an MP, he has frequently admitted his strong left-wing sympathies, but denied that he had organised much of Italy's left-wing terrorism

At the same time, the debate within the country over the fairness of prolonged spells of imprisonment for defendants before they come to trial is, if anything intensifying.

Fresh attention has been focused on the issue by two other front-page affairs: the arrest last June of Sig Enzo Tortora, a popular television presenter, on allegations that he had worked in the past with the Neapolitan underworld *organisation, the Camorra* and the detention of various figures implicated in the bankruptcy of Banco Ambrosiano.

Demand for products is still deteriorating, **Ian Rodger** reports

Welding equipment makers find the going tough

IF ANY recovery was happening in Europe's heavy industries, the suppliers of welding and gas cutting equipment would be among the first to hear about it.

But the word from Europe's leading companies in this depressed business—gathered in Birmingham this week for an exhibition of their wares—is that demand for many products is still deteriorating.

"We haven't seen any indication of an upturn in the heavy industries in any European countries," Mr Bengt Eskilson, president of ESAB of Sweden, the sector leader with an estimated 30 per cent market share, said.

The three other industry leaders, Oerlikon-Bührle of Switzerland, Air Liquide of France, and Philips of Holland, agree.

"There is no underlying market growth in the European welding industry," Mr John Garland, managing director of Oerlikon Welding, says.

"Business is tough, that's all," adds M Jean Mattern, export manager of SAF, the welding subsidiary of Air Liquide.

The key problem is the rapid fall in sales of stick electrodes and other consumables which account for about 60 per cent of the total industry sales of roughly $900m (£600m) per year.

Since the mid-1970s, with the slump in many heavy fabricating industries in Europe, especially shipbuilding, more than a quarter of European capacity for making electrodes has been shut down, but the remaining 300,000 tonnes per year of capacity is still well above current demand.

"We estimate that demand for consumables will continue to fall 5-10 per cent a year for the next five years, so rationalisation will have to go on," Mr Eskilson says.

So far, the main thrust of rationalisation has been in Britain and it has been brought about almost entirely by ESAB. Last year, it bought the welding business of Guest Keen and Nettlefolds, and subsequently closed down three of its factories.

Two months ago, it bought the UK welding activities of BOC, and is closing one of its factories.

ESAB, whose founder, Mr Oscar Kjellberg, invented the coated stick electrode in 1904, believes the only way to survive in a declining business is to build market share so that production costs can be kept low.

So far, the strategy seems to be working, as the group's sales increased 29 per cent last year to SKr 2.5bn ($321.7m) and net profits were up 21 per cent to SKr 40.3m ($5.1m).

Oerlikon's welding division sales were down 5 per cent to SFr 220.2m ($100.8m) and the division's profits were said to be flat and "unsatisfactory." Air Liquide's worldwide welding division sales were down 3 per cent to FFr 1.85bn ($228.9m).

Mr Eskilson says the group is willing to contemplate further acquisitions, but not for a year or so until it digests the BOC business.

None of the other majors, with the possible exception of Oerlikon, has tried to follow ESAB in building market share by acquisition. Last year, Oerlikon converted minority holdings in two specialist solder and welding products companies in Switzerland and West Germany into majority holdings.

Oerlikon is also about to open a new 5,000-tonne-per-year consumables factory in Zurich, a measure of its commitment to remaining in the industry.

Oerlikon and other rivals suspect that ESAB's strategy may come unstuck with the BOC acquisition. The purchasers of electrodes tend to be loyal to a particular brand produced in a particular factory, Mr Garland argues, and when these are changed, they may look elsewhere.

Oerlikon's strategy when making acquisitions is to maintain local production and brands.

All the major companies are also trying to move into higher value added products, such as special steel electrodes for very high quality welding, semi-automatic and automatic welding machines and the design of welding systems, including robots.

A few of these markets, notably the supply of automatic machines and robot controlled machines, are growing despite the recession.

Again, ESAB is well placed, being 50 per cent owned by ASEA of Sweden, the leading robot manufacturer. But there are also a number of specialised producers in these areas.

Thyssen of West Germany and Bohler, a subsidiary of Voest Alpine of Austria, are among the leading suppliers of special steel electrodes used in the welding of pipeline joints.

They also compete vigorously to supply the high alloy and stainless steel welding materials used in pressure vessels, nuclear reactors and other process plant.

Messer Griesheim has carved out a strong position in welding and gas cutting machines, and has managed to build sales and profits in the past year despite soft markets and discounting up to 25 per cent in its markets.

The strongest rumour at the welding exhibition this week was that Philips would be the next major company to abandon the welding business.

Industry officials speculate that Philips has enough on its plate keeping up with the Japanese in electronics, and so will not want to devote any of its resources to developing new welding products.

The group's welding turnover is believed to be about $75m, less than 3 per cent of total turnover.

Mr Peter Davis, sales promotion manager, Philips Welding Industries, said: "It would be silly to say Philips would never sell if someone came up with the right price, but we are carrying on our product development."

France's National Front: A flash in Le Pen?

BY DAVID HOUSEGO IN PARIS

A BURST of fireworks that will soon fizzle out? Or the birth of a new political force? Since the National Front success in the election at Dreux on Sunday in which for the first time the extremist party won seats on a municipal council as partners in a coalition of Right and Centrist parties, French political commentators have been wrestling with the problem.

M Jean-Marie Le Pen, 54, founder and leader of the Front, which at Dreux campaigned on an openly racist platform, has no doubts that the opposition now need him. "It is not possible to defeat the Left," he says, "without the support of the National Front."

His argument is that in the popular districts of the major cities, only the Front can make major inroads among the disillusioned voters of the Left. In other words, only the Front can successfully poach the Communists' and Socialists' traditional working-class support.

M Jean-Marie Le Pen

The figures go some way to supporting his belief. M Le Pen gained only 0.74 per cent of the national vote when he stood as a Presidential candidate in 1974. In the municipal elections in March this year *he scored 11.2 per cent of the* votes in the 20th arrondissement of Paris—the largest proportion of votes polled by a National Front candidate.

At Dreux, where a quarter of the population is immigrant, the Front pushed up its score to 16.7 per cent in the first round. That compares with a nationwide vote of under 15 per cent for the Communists March. The comparison is unfair but it is one that makes the Communists shudder.

With blond hair, a muscular clean cut jaw and a healthy smile, M Le Pen is proud of being a Breton and having "all French ancestors." He was in the Resistance movement during the war (at a time when M George Marchais, the Communist leader, was a "voluntary worker" in the Messerschmidt aircraft plant in Nazi Germany) and he fought as a French officer in Algeria and Indochina.

He paints a picture of a France in danger of being "invaded and submerged" by waves of immigrant labour. A figure he likes to quote is that the Mahgreb countries of North Africa had a population of some 20m two decades ago. Now it is 50m, he says, and it will be 100m in 17 years. "They can't resolve their economic problems except by coming here," he declares, "and I intend to stop that."

He is against trying to integrate North African immigrants into French society as their religion and customs "are very different from ours." He wants to restrict immigrants' use of French social security services, believing that there are enough hospitals and schools in France as long as they are reserved only for French nationals.

The Socialists, with their attitude of humanism and toleration, are at a loss about how to fight M. Le Pen.

In historical terms, the Front is one of a large number of extremist groups that sprang up in France before the war and after, most of which have quietly faded away. The risk in the present situation is that with unemployment starting to grow again and militants on the Right impatient of the constitutional approach of the major opposition parties, M. Le Pen may have found his time to stir the pot of *fanaticism*.

His party intends to fight other municipal contests as well as next year's European elections. He hopes now for more serious negotiations with the neo Gaullist RPR party and the more Centrist UDF on electoral tie-ups. He shares their point of view on some issues such as denationalisation and reducing the size of the civil service.

Portugal's new taxes under fire

BY DIANA SMITH IN LISBON

PORTUGAL'S Confederation of Industry, the outspoken body that claims to represent about 40,000 private businesses, has accused the Government of spreading the economic crisis with its creation of new taxes.

The Socialist-Social Democrat coalition of Sr Mario *Soares announced a tax package* this week that increases levies on luxury vehicles, planes and yachts, raises property transfer tax, and taxes rental and fixed incomes.

A communique from the Confederation claims the tax package will worsen the difficulties of the population as *a whole and of companies in* particular. The measures, the communique says, do not constitute an overall tax policy.

The Confederation is especially resentful of the new rates of property transfer tax which, it says, will further weaken the building *industry*.

World Bank warns of austerity's heavy toll on Third World countries

WORLD BANK ANNUAL REPORT

By Anatole Kaletsky in Washington

THE WORLD BANK has enjoyed a year of record activity and profits, despite the wrenching finacial crisis suffered by its clients, the developing countries. But as its annual report, published today, makes plain, the Bank has had to accept profound changes in its traditional ways of doing business, even though it has never rescheduled or written off a single loan and is most unlikely to have to do so in the future.

The net income earned by the bank's principal arm, the profit-making International Bank for Reconstruction and Development (IBRD), jumped by 26 per cent to a record $752m in the 1983 accounting year, which ended on June 30. The IBRD was also able to increase its borrowings in international bond markets by 21 per cent, to a record $10.3bn while remaining the world's highest-rated non-government borrower.

The increases in the bank's lending activity were almost as impressive. The IBRD's new loan commitments in 1983 were 8 per cent higher than in 1982, at $11.1bn. The International Development Association (IDA), which makes interest-free loans to the poorest developing countries (those with annual per capita incomes below $796 in 1981 dollars), increased its lending by 24 per cent to $3.3bn. The International Finance Corporation, the bank affiliate which buys equity stakes in Third World private companies, made new investments of $845m, 38 per cent above the previous year's level.

However, as the annual report underlines, such increases in the Bank's activities are puny in relation to the financial crisis faced by many Third World countries. The world-wide recession has cut drastically into Third World exports and private lending to developing countries has dwindled from $48bn in calendar 1981 to $35bn in 1982 and to little more than a trickle for much of the past 12 months. Non-oil-producing developing countries have been forced to reduce their imports by $25bn between 1981 and 1982, according to the Bank's estimates, with no major improvement yet in sight.

Because economic "adjustments" of this magnitude have tended to dwarf the normal assistance which the Bank could provide, new attitudes to policy are more evident than ever in this year's report.

At the broadest level, the Bank is clearly uneasy about the continuing emphasis on restrictive policies in both developing and industrialised countries. It warns that "if further stagnation in the world economy continues, even more severe cutbacks in imports will be required" by developing countries. This will further reduce growth in the industrialised world. With an apparent touch of despair it notes that in the past few years "the world dealt with the worst recession since the Second World War by collectively reducing demand."

The Bank's macroeconomic policy priorities are clearly somewhat different from those of the International Monetary Fund, which is still putting greater stress on the need for continuing "adjustment" in developing countries and cautious anti-inflationary policy in the industrialised world.

The Bank repeatedly praises the IMF and points out that without its intervention "the reduction in imports could have been even greater" in many developing countries. But its analysis emphasies the desirability of rapidly restoring world economic growth and increasing international capital flows, rather than urging developing countries to "adjust" even further to their straitened circumstances.

"A number of major borrowers that are now experiencing difficulties have (in the 1960s and 1970s) proved their ability to achieve high rates of export and income growth." Although their debt levels might not be considered excessive, under the appropriate conditions of rapid economic growth, the current "austerity programmes and attempts to achieve trade surpluses are exacting a heavy toll," particularly on investment, the report notes.

The Bank's efforts to find new sources of finance for the Third World have had mixed results. The U.S. has steadfastly resisted the $16bn expansion of IDA which the Bank now officially regards as its highest priority. The question of a capital increase for the IBRD will be raised at the World Bank-IMF annual meeting this month, but prospects are not encouraging at present.

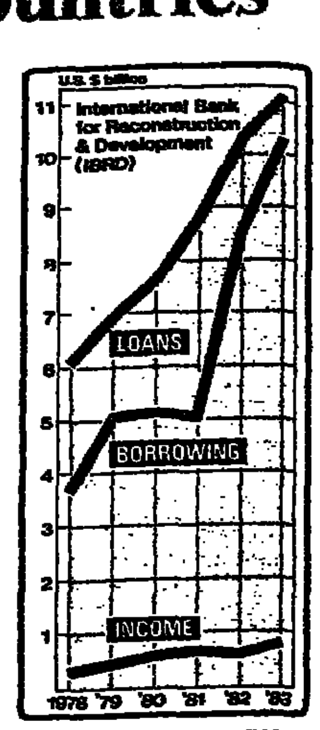
On the other hand there has been some success in channelling more private money into developing countries by drawing commercial banks into "co-financing" World Bank projects. About 35 per cent of the past year's World Bank projects were "co-financed" with private banks, other official lenders and export credit institutions.

By tying the commercial banks more closely to the World Bank, which never allows its borrowers to reschedule as a matter of policy, the hope is to provide commercial bankers with the greatest possible security short of a formal World Bank guarantee. The first such loan was syndicated in Japan this week.

Equally radical ideas are being tried to get the bank's own resources flowing as rapidly as possible to its neediest clients. These were launched in February as a two-year "special assistance programme." Under this programme the Bank will finance considerably larger shares of certain projects than it has in the past and lend more money to cover the purely local costs of projects, resulting in a net gain of foreign exchange for the borrower. It will in some circumstances disburse loans more rapidly than projects are actually being executed.

In addition, the Bank is redoubling its efforts to persuade member countries to accept "structural adjustment" and "sectoral adjustment" programmes, under which the Bank provides loans to support broad economic policy changes rather than specific projects. In all these "special assistance" loans, the Bank inevitably accepts a greater risk that some of its money may find its way into general Government revenues rather than being used for specific economically viable projects.

In the current circumstances this appears to the management to be a risk worth taking to get an extra $1bn a year out of the World Bank's coffers and into the developing world.



U.S. in renewed peace moves as Lebanese launch jet-fighters

BY PATRICK COCKBURN IN BEIRUT

IN A renewed effort to obtain a ceasefire in Lebanon the U.S. yesterday put forward its own peace plan while two Lebanese Air Force jets flew over Beirut to emphasise the Government's continued resolve to resist attacks by Druze militiamen.

The details of the U.S. ceasefire proposals are unclear but President Gemayel continues to resist the Syrian and Druze demand for a total withdrawal of Lebanese army troops from the mountains where fighting has been going on and their replacement by the internal security forces.

[In Damascus, negotiations aimed at spelling out a firm ceasefire proposal continued throughout the night until nearly mid-day yesterday. There was no official word immediately available on how the talks were progressing, but officials said privately that no complete proposal had yet been officially tabled, writes Our Damascus Correspondent.

[The discussions, which involved Saudi and U.S. diplomats as well as Syrian and Lebanese Druze leaders, were essentially a "turn-in-circles exchange of ideas that are not yet solving the central issue of the future role of the Lebanese Army in any ceasefire," one official said.

[Following the talks, Prince Bandard bin Sultan, the special envoy heading the Saudi Arabian mediation efforts, flew to Larnaka in Cyprus to meet Mr Wadih Haddad, the special adviser to Lebanese President Amin Gemayel. Earlier, Prince Bandar had met Mr Robert Paganelli, the U.S. Ambassador to Syria, for an hour.]

The appearance of Lebanese Hawker Hunter aircraft over Beirut came as a surprise since the 32,000-strong regular army has not enjoyed any air cover. The precise whereabouts of the eight Hawker Hunter jets of the miniscule Lebanese Air Force is not known but the only air base nominally under Government control is Beirut national airport which is defended by 1,200 U.S. marines belonging to the multi-national force.

Underlining the lack of security in the Lebanese capital two French soldiers were wounded yesterday, one of them critically, in a grenade attack not far from the city centre.

On the battle front there has been continual skirmishing on the ridge line overlooking the capital but little heavy fighting. The Druze town of Aley above the route was under intermittent shell fire yesterday and its streets were totally deserted by soldiers and civilians alike.

Many of the resort town's 19 hotels, enjoying a fine view of the capital and the Mediterranean from a height of 2,750 ft, are now burned out shells. Hotels and houses damaged in the Israeli invasion last year or in the Lebanese civil war have once again been hit by shell fire.

● One Israeli soldier was killed and seven others wounded when they were hit by bazooka fire in south Lebanon overnight, an Army spokesman told Reuter. It was the first Israeli death since Israeli troops redeployed to southern defence lines in Lebanon.

Begin quits as fears grow about his health

By David Lennon in Tel Aviv

Menahem Begin: in a state of depression?

AN AILING Mr Menahem Begin's letter of resignation as prime minister was handed to President Chaim Herzog by the Cabinet secretary yesterday. This opens the way for the president to call on Mr Yitzhak Shamir, the Foreign Minister, to try to form a new government.

Mr Begin announced his decision to resign 19 days ago, but delayed the formal act of going to the president in order to give Mr Shamir time to try to win the agreement of the smaller coalition parties to continue the partnership.

Agreement on this was reached at the beginning of the week but, because of the sharp deterioration of his health, the prime minister was unable to go to the president in person as he had wished.

According to persistent reports in the Hebrew press the outgoing premier is sunk in a deep depression. He has stayed at home for over a week and takes no interest in events around him, even crucial affairs of state, the newspapers report.

In a dramatic front page article by one of its senior writers, the influential daily Ha'aretz newspaper painted a dismal picture of the once ebullient leader who appears to have lost the will to live.

The writer, Mr Yoel Marcus, cites close friends of Mr Begin as saying that the premier, who used to take pride in his neat appearance has been neglecting himself entirely since announcing his decision to resign.

He has not shaved since then, hardly eats, and doesn't want to meet anyone except his private secretary, relatives and doctors.

The premier seems to have lost interest in life to such an extent, Mr Marcus writes, that friends and rivals alike are asking with concern, "has Begin decided to commit suicide?" One friend is quoted as saying "he is not only sunken within himself, but it appears that his physical existence has ceased to interest him."

The premier's aides have denied these reports, insisting that Mr Begin has remained at home because of a skin ailment which prevented him shaving.

There has been growing pressure on Mr Begin to implement his decision to resign. Within the ruling Likud bloc there were worries that further delays would give the opposition Labour Party an opportunity to try to woo some minor parties away from Mr Shamir's potential coalition.

Mr Shamir was elected two weeks ago as head of the Herut Party in place of Mr Begin, and the party hopes that he will soon take over as Prime Minister.

It is expected that President Herzog will call on Mr Shamir to form a new coalition, and will give the Herut leader 21 days in which to achieve this.

In the meantime there is considerable confusion within the outgoing cabinet as to who is in charge. Mr David Levy, the deputy premier, claims that he is acting prime minister. But this was denied by Mr Moshe Nissin the justice minister, who said that there had been no formal transfer of powers from Mr Begin to Mr Levy.

Peking rules out any UK role in administering Hong Kong

BY MARK BAKER IN PEKING

CHINA HAS ruled out a long-term role for Britain in administering Hong Kong and has urged the Thatcher Government to take a "realistic and co-operative attitude" to negotiations on the future of the colony.

An assistant Chinese foreign minister, Mr Zhou Nan, said today that the prosperity and character of Hong Kong could be maintained—but this depended on Britain's actions in the current negotiations.

"Provided the British side adopts a realistic, reasonable and co-operative attitude, there is no reason to believe that unsatisfactory results will come out of these negotiations," Mr Zhou said in an interview with the Financial Times.

"The key is that the British side should take a realistic and co-operative attitude."

He said China still wanted to "enter into effective co-operation with Britain both now, during this transition period, and after 1997 to maintain the stability and prosperity of Hong Kong."

China was ready to take a series of "political measures to consider the Hong Kong reality and the British interests as well."

Mr Zhou's forthright remarks come only a week before the secret Hong Kong negotiations are due to resume in Peking. They appear to be designed to put pressure on Britain, which is believed to be taking a tough stand on the central issues of how Hong Kong will be administered after 1997, when its colonial leases expire.

Mr Zhou said there had been speculation that an agreement might be reached whereby China resumed sovereignty, but Britain continued to exercise a role in administering Hong Kong.

"Some people suggest China and Britain could jointly administer Hong Kong. This is totally lacking both in jurisprudence and reality," he said.

"Sovereignty and administration are inseparable. To separate sovereignty from administration means to replace an old unequal treaty with a new one.

"If there are people who, in the 1980s, still approach China from the colonial perceptions of the 19th century, these people are lacking a basic sense of history and reality, to put it mildly.

"China is determined to recover complete sovereignty and administration of Hong Kong. The position of China is unshakeable and firm."

The Sino-British talks, which began late last year, appear to have made no headway on the key issue of sovereignty. It is believed that only at the third meeting, in Peking in August, was enough common ground reached to set an agenda.

Britain may replace ambassador to China as talks get tougher

BY ROBERT COTTRELL IN HONG KONG

A KEY figure in Sino-British negotiations on the future of Hong Kong, Sir Percy Craddock, may be succeeded later this year as British ambassador to Peking by Foreign Office diplomat Mr Richard Evans.

Sir Percy was due to retire this autumn and had agreed to stay on for a little longer. Kong on July 1, 1997.

A senior Hong Kong government official said yesterday that he could not confirm or deny local reports of the change, as the Hong Kong Government had not been officially notified by the British Foreign Office.

Mr Evans, a deputy under-secretary at the British Foreign Office, is a Chinese speaker who has previously served at the embassy in Peking.

The change of face at the head of the British negotiating team has, however, provoked concern in Hong Kong that the continuity of talks on its future may be disturbed by the transition. A third round of the talks is due to begin in Peking on September 22, and is expected to last for two days, but there is no timetable for how discussions should proceed beyond this stage.

Hong Kong sources privately concede that the Sino-British talks, which began amid an atmosphere of optimism in July, have hit a rocky patch. Some local financiers have taken such a gloomy view of progress that they are relieved not to have seen the next round of talks delayed or cancelled altogether.

This nervousness has reflected the weakness of the Hong Kong dollar, which this week continued to chart new record lows. It traded locally around HK$7.86 to the U.S. dollar late yesterday afternoon, having weakened below HK$7.90 in previous day's trading on overseas exchanges.

The Hong Kong Stock Market's Hang Seng Index has also slumped below the 900 level, closing yesterday on a slightly firmer note at 898.66, up 9.57 points.

The agenda and substance Sino-British talks are confidential, but the crux of negotiations appears to be whether Britain can look for a continued role in Hong Kong's administration after its lease over most of the territory runs out in 1997. Britain doubts that China's proposed autonomous Hong Kong could maintain its social and economic integrity.

Mr Hu Yaobang, Communist Party chief, has said unequivocally that China will regain sovereignty over all of Hong Kong on July 1 1997. Mr Edward Heath, former British Prime Minister, reported this week after visiting China that Chinese strongman Deng Xiaoping wants a resolution of Hong Kong's future by September next year.

An assertive stance towards Hong Kong is also being noted in the behaviour of Mr Xu Jiatun, director of the New China News Agency, who is Peking's unofficial but senior quasi-diplomatic representative in Hong Kong. Mr Xu has been making highly publicised visits to neighbourhoods and special interest groups in Hong Kong, much as though he occupied a position comparable to that of Sir Edward Youde, Hong Kong's Governor.

Men and Matters, Page 22

Fire havoc in Samoa

BY DAI HAYWARD IN WELLINGTON

HUGE BUSH fires, which affected up to 10,000 people, have caused a major economic dislocation for Western Samoa.

New Zealand air force and army units have been flown to Western Samoa to help fight the fires which have been burning on the north-western side of the island of Savai'i for the past seven days.

About 45,000 acres of forest planted under an aid scheme, cocoa plantations, crops and livestock have been wiped out. Food resources have been hit and there could be problems feeding up to 10,000 people in the area.

Last night the first rain for seven months fell and helped the firefighters in their efforts

Indonesia 'needs to raise' $800m by March

BY ANTHONY McDERMOTT IN GENEVA

INDONESIA still has to raise $700m-$800m of the $2.5bn (£1.65bn) it needs from international creditors for the fiscal year ending next March.

Dr Ali Wardhana, the Minister Co-ordinator for the Economy, said yesterday in Geneva that Indonesia has already arranged this year SDR 360m (£260m) from the International Monetary Fund's compensatory financing facility, Fl 100m (£22m) Dutch bond issue, a Y24bn (£66m) syndicated loan and a $1bn (£670m) syndicated loan.

Dr Wardhana, who is here to address today the European Management Forum, was confident that Indonesia would obtain the outstanding finance needed not least because of the austerity measures his Government had taken this year.

Indonesia's indebtedness is currently $18bn, up from $16bn last year. At the end of April, net international reserves held by the Bank of Indonesia stood at $2.7bn. Foreign exchange banks held $3.3bn, the equivalent, he pointed out, of "about six months' worth of non-oil imports projected for this fiscal year."

Last January subsidies were reduced on fertilisers, pesticides, petroleum products and some food items. On March 30, the rupiah was devalued against the dollar by 27.6 per cent. In May, 48 major development projects were re-phased, aimed at savings of $3bn in the current fiscal year, to reduce the current account deficit from $9bn to what he called "a more manageable level" of $6bn.

At the beginning of June measures were taken to liberalise interest rates to encourage domestic savings. Deposits have increased, and the Minister said he did not expect any banks to collapse or to merge.

He expected that VAT would be introduced this year and that taxes, which have a maximum rate of 45 per cent, would be reduced but as part of the process of simplification and improved collection.

COMPANY NOTICES

THE "SHELL" TRANSPORT AND TRADING COMPANY, P.L.C.

NOTICE IS HEREBY GIVEN that a balance of the Register will be struck on Thursday, 6th October, 1983, for the preparation of warrants for an Interim Dividend for the year 1983 of 10.3p per 25p Ordinary Share payable on 10th November, 1983. For transferees to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyds Bank Plc, Registrar's Department, Goring-by-Sea, Worthing, West Sussex, BN12 6DA, not later than 3.30 p.m. on 6th October, 1983.

SHARE WARRANTS TO BEARER

The Coupon to be presented for the above dividend will be No. 189 which must be left at Lloyds Bank Plc, Registrar's Department, Issue Section, 111, Old Broad Street, London EC2N 1AU, at least four clear days for examination, or may be surrendered through MM. Lazard Frères, Paris.

By Order of the Board
G. J. OKELL, Secretary.
Shell Centre, London SE1 7NA.
15th September, 1983.

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION p.l.c.

7% Debenture Stock 1980-83

Notice is hereby given that the REGISTERS of the CORPORATION'S above mentioned Debenture Stock will be CLOSED for TRANSFER and REGISTRATION from the 3rd to 14th October 1983 both days inclusive.

By Order of the Board
H. J. McTurk, Secretary
48 Palmerston Place
Edinburgh EH12 5BR
16th September, 1983

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION of 16th August, 1983, NOTICE is now given that the following distribution will become payable on and after the 15th September, 1983, against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

GROSS DISTRIBUTION PER UNIT	3.00	CENTS
LESS 15% U.S. WITHHOLDING TAX	.45	CENTS
	2.55	CENTS PER UNIT
CONVERTED at $1.500 =	1.700	PENCE PER UNIT

Barclays Bank PLC
Securities Services Department
54 Lombard Street, EC3P 3AH

STANDARD BANK IMPORT & EXPORT FINANCE COMPANY LIMITED

U.S.$50,000,000 GUARANTEED FLOATING RATE NOTES DUE 1985 (Convertible at the option of the Noteholder into 9¾% Guaranteed Bonds due 1985)

NOTICE IS HEREBY GIVEN that the Rate of Interest has been fixed at 10¾% and that the Coupon Amount payable on Coupon No. 7 will be U.S.$1,342.88. The interest period is from 15 September 1983 to 15 March 1984 against Coupon No. 7 will be U.S.$101.55.

By CITIBANK, N.A. London (CSSI Dept.) Agent Bank
September 16, 1983, London

TORAY INDUSTRIES, INC. (formerly Toyo Rayon Kabushiki Kaisha)

United Kingdom shareholders are advised that copies of the Annual Report for the year ended 31st March 1983 are now available from:—
S. G. WARBURG & CO. LTD.,
Paying Agent Department,
Goldsmith Street,
London EC2P 2DL.
16th September, 1983

CITY OF MONTREAL

3½% PERMANENT DEBENTURE STOCK

NOTICE IS HEREBY GIVEN that the Transfer Register will be closed from 1st October to 31st October, 1983, both dates inclusive.

THE ROYAL BANK OF SCOTLAND plc Registrars
Registrar's Department,
15 Old Broad Street,
London EC2N 1DL.

PUBLIC NOTICES

COMPETITION ACT 1980

NOTICE UNDER SECTION 3(2) (b)

THE BRITISH AIRPORTS AUTHORITY

Under section 3 of the Competition Act 1980 the Director General of Fair Trading is to investigate whether the British Airports Authority has been or is pursuing a course of conduct which amounts to an anti-competitive practice.

The matters to be investigated are—
(a) the Authority's arrangements for permitting the supply at Gatwick Airport—London of the services of chauffeur-driven hire cars to persons at the Airport; and
(b) whether in carrying out such arrangements any of them the Authority is pursuing a course of conduct which amounts to an anti-competitive practice.

The services to which the investigation is to relate are the services of chauffeur-driven hire cars at Gatwick Airport.

If you have any information which you consider would help the Director General, please write to:—
Office of Fair Trading
Branch CP4
Chancery House
53 Chancery Lane
London WC2A 1SP

Your letter should arrive as soon as possible if it is to be taken into account in the enquiry.

BOND DRAWING

CITY OF TURIN

£5,000,000 6½% Sterling/Deutsche Mark Bonds 1984

S. G. WARBURG & CO. LTD., announce that the redemption instalment of £330,000 due 15th October, 1983 has been met by purchases in the market to the nominal value of £12,500 and by a drawing of Bonds to the nominal value of £317,500.

The distinctive numbers of the Bonds, drawn in the presence of a Notary Public, are as follows:-

£500 Bonds

6528 to 6557	6560	6563 6564	6596 6597
6608 to 6610	6615 6616	6628 to 6631	6634 6635
6643 to 6649	6658 6659	6661 to 6663	6671 to 6782
6791 to 6794	6797	6808 to 6811	6813 to 6815
6819 6820	6827 6829	6830 6838	6839 6859
6861 6873	6885 6886	6895 6896	6899 6900
6911	6913 to 6922	6929 6932	6940 to 6946
6948 6949	6952 6953	6966	6971 to 6974
6976	6979 to 6983	7006 to 7041	7042
7062 to 7072	7075 7076	7082 to 7181	7185 to 7226
7228 to 7231	7233 to 7246		

£100 Bonds

12396 to 12430	12438	12512 to 12514	12516 to 12520
12547 to 12549	12565 to 12589	12594 to 12607	12612 to 12630
12636 to 12645	12584 to 12590	12661 to 12670	12678 to 12695
12698	12701 to 12710	12721 to 12725	12727 to 12729
12733 to 12738	12740 to 12742	12744 12745	12760 12773
12774	12783 to 12803	12805	12807 to 12827
12829 to 12835	12838 to 12861	12863 12865	12885 12886
12890 to 12898	12906 to 12933	12935 12938	12940 12941
12945	13732 to 13734	13743 13744	13749
13752 to 13756	13761 to 13767	13952 to 14099	14118 to 14152
14189 14190	14197 to 14199	14286 to 14290	14303 to 14315
14313 to 14334	14344 to 14352	14387 to 14415	14431 to 14442
14444 to 14495	14500 to 14503	14509	14515 to 14545
14550 to 14562	14587 to 14596	14600 to 14611	14614 to 14639
14647 to 14660	14665 to 14680	14685 to 14705	14782 to 14794
14812 to 14949			

On 15th October, 1983 there will become due and payable upon each Bond drawn for redemption, the principal amount thereof, together with accrued interest to said date at the office of:-

S. G. WARBURG & CO. LTD.,
30, Gresham Street, London, EC2P 2EB,

or one of the other paying agents named on the Bonds.

Interest will cease to accrue on the Bonds called for redemption on and after 15th October, 1983 and Bonds so presented for payment must have attached all coupons maturing after that date.

£380,000 nominal amount of Bonds will remain outstanding after 15th October, 1983.

The following Bonds previously drawn for redemption on the dates stated below have not as yet been presented for payment:

15th October, 1979
£500 Bonds: 927 928 1209
£100 Bonds: 13027 to 13030

15th October, 1981
£500 Bonds: 2191 2587 2588
£100 Bonds: 7594 7695 7770 8087 8168

15th October, 1982
£500 Bonds: 6026 6027 6470
£100 Bonds: 17723 17724

30, Gresham Street, London, EC2P 2EB — 16th September, 1983

Argentine junta attempts to end debt deadlock

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA'S military legislative commission has approved the draft of a new bankruptcy law which modifies existing discriminations against foreign creditors.

The move, made under intense pressure from the Economy Ministry, and against the wishes of military hardliners, is aimed at ending the current deadlock over the rescheduling of $39m (£26m) foreign debt.

However, by late yesterday afternoon Argentina remained technically in breach of its loan obligation. Some foreign banks were still waiting for a definition of the law and its final signature before agreeing to a 30-day extension of a waiver on the repayment of $300m.

The deadline for the repayment expired yesterday morning after Argentina told foreign banks it was unable to repay the first tranche of a $1.1bn bridging loan because rescheduling arrangements had been delayed by the test case of the bankrupt private sector paper manufacturer Celulosa Argentina.

Under the old bankruptcy law Celulosa's foreign creditors could wait up to 15 years before retrieving the $100m in debts owed to them.

The new law is understood to accept in broad terms that discrimination should end, although the commission has refused to give any details.

Foreign bankers' reactions to the move were mixed. Some described it as "positive," but the majority were cautious as they waited for clarification and the law's signature by Argentine President Renaldo Bignone. In theory, President Bignone must consult with the ruling military junta and has up to 10 days before taking the final decision.

"We've seen draft laws approved by the commission before and in the end nothing happened," commented an official of the Royal Bank of Canada, one of Celulosa's main creditors.

He said the last amendment of the bankruptcy law in June had been approved by the commission but had eventually never been signed.

Some foreign banks want to know whether the draft law is retroactive and, therefore, applicable to Celulosa's case which is due to be put to a creditors' meeting today.

Argentina is waiting for the disbursement of a $1.5bn medium-term loan and the refinancing of 6bn of state and state guaranteed debt.

Central America 'needs $23bn'

By Hugh O'Shaughnessy in Brussels

CENTRAL AMERICA will need some $23bn (£15.3bn) in foreign capital inflows to recover by 1990 the standard of living it enjoyed in 1980, Dr Carlos Manuel Castillo, president of the central bank of Costa Rica, said yesterday.

Dr Castillo was speaking at the close of a three-day meeting in Brussels at which the six Spanish-speaking countries of Central America presented development plans to Western European governments and commercial bankers.

The meeting, chaired by Sr Antonio Ortiz Mena, president of the Inter-American Development Bank, is seen as a public affirmation by Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama of their commitment to regional economic co-operation.

Real per capita income has in the region has fallen in each of the past four years—by 3.6 per cent in 1979 and by 1.7 per cent, 3.9 per cent and 6.5 per cent in the three subsequent years.

William Chislett, recently in Caracas, finds a country living in an ivory tower

For bankers, it's mañana in Venezuela

VENEZUELANS are fond of telling the story about the bill collector from the gas company who arrives at a home to be paid. He sees the money on the hall table but is asked to come back the next day in the hope that he won't.

The story epitomises the current financial predicament of Latin America's fourth largest debtor. A stream of international bankers are knocking on the door for an estimated $600m in interest arrears, but the Government is telling them to wait.

It is not that Venezuela cannot repay its debts—the country has foreign reserves of $10bn and is a major oil producer. Rather, it is the attitude of the ruling Christian Democratic Copei Government of President Luis Herrera Campins, which goes to the polls in December and is likely to lose to the Social Democratic Accion Democratica party that is holding up payment.

Just over $18bn of Venezuela's public sector external debt of $27bn falls due this year and next. Bankers are loath to reschedule these debts unless the country accepts a package of austerity measures drawn up with the International Monetary Fund (IMF) and eliminates interest arrears.

But President Herrera says Venezuela does not need any new money and therefore the banks should not insist on an IMF stabilisation programme. Bankers feel the country's financial position could get dangerously out of control unless it tightens its belt under IMF supervision.

The IMF's most recent report on the Venezuelan economy warned that the Government's measures, including an unwieldy four-tier exchange rate system, import and price controls and the maintenance of the domestic price of petrol at 40 U.S. cents a gallon risked an early exhaustion of reserves and a serious acceleration of inflation.

The inflation rate, running at about 12 per cent, is forecast to rise to at least 30 per cent next year. While the current account of the balance of payments will be in balance this year after a deficit of $3.5bn in 1982, it could return to deficit again next year.

Venezuela's foreign debt may seem small by the standards of Brazil and Mexico, but it is the highest in Latin America in per capita terms and Venezuela is doing very little to tighten its belt.

Venezuelans owe an average $6,160 each compared with Brazil's $1,621, according to the Latin American Workers Federation.

Venezuela (population 15m) is an affluent society. Its materialistic approach can be judged from the fact that the country is the largest per capita consumer of whisky in the world (and a major export market for the UK). About 16,000 Venezuelans have holiday homes in Florida and there is one year's supply of frozen turkey in storage, bought last year when the bolivar was heavily overvalued at 4.30 to the dollar.

The Government, which took office in 1978 at the height of the world oil boom, used its oil wealth as collateral for massive foreign borrowings and to fund both a spending binge and the maintenance of subsidies.

Each public sector entity was allowed to go to the market on its own, usually without the knowledge of the Government and there was no control or co-ordination of foreign borrowing until 1981. As a result, the size of the debt and its impact on the economy is only now beginning to be realised.

When world oil prices plummeted in mid-1982, Venezuela turned down a $2bn syndicated loan which it was negotiating because it thought the price was too high. Instead, it drew down its international reserves and relied on large short-term credits.

A year ago the government seized the $6bn offshore dollar assets of Petroleos de Venezuela, the state oil company, which had always been kept independent of the central bank's reserves. The oil company, which provides 95 per cent of the country's export revenue, was then obliged to purchase $2bn of public debt bonds.

The private sector saw the writing on the wall and shipped out an estimated $120m a day until February, when exchange controls were introduced. "By then the horse had bolted," said an investment banker.

Total international reserves, including those held by the oil company, are reliably estimated to have dropped from $19bn at the end of 1981 to $10bn now. Only $46bn, however, are readily disposable, mainly gold holdings.

The current public slanging match between Sr Arturo Sosa, the Finance Minister said to represent the indebted companies and Sr Leopoldo Diaz Bruzual, the head of the central bank, a pugnacious figure known locally as "the buffalo" who sees himself as guardian of the nation's finances exemplifies the situation.

The central bank is refusing to dish out dollars to the private sector at preferential rates of 9.90 bolivars per dollar (compared with the present free rate of almost 14 bolivars) to pay $400m in interest arrears. Although the Finance Ministry has approved a debt registry procedure, the central bank wants to be absolutely satisfied the dollars will be used to pay debts and that the companies really need them.

The central bank, which favours a straight devaluation and one, not three, preferential rates, says that across the board approval of preferential dollars would endanger the country's reserves. The bank has good reason to believe that many companies which are seeking preferential dollars already have dollars salted away abroad.

Sr Diaz Bruzual warned this month that the current low level of imports, projected at half last year's $13.5bn, were not enough to meet the country's needs. He said that stocks which have kept Venezuela from shortages would be depleted in the next few months.

Meanwhile the state oil company has been brought into the political arena after a long period of independence. Gen. Rafael Alfonso Ravard was sacked as the company's head this month after eight years and replaced by Dr Humberto Calderon Berti, the politically ambitious Energy Minister.

"It's like watching a Greek tragedy with comic overtones," said a foreign banker.

Brazil signs IMF letter of intent

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL's economic ministers yesterday signed a much delayed letter of intent to the International Monetary Fund. This followed the approval of the revised IMF agreement by the National Monetary Council.

The letter is to be delivered to the IMF in Washington by Sr Alexandre Kafka, Brazil's representative to the Fund.

The only public note of discord from the National Monetary Council meeting came from Sr Octavio Gouvea de Bulhoes, a former Finance Minister and private sector member of the council, who is a long-standing critic of the Figueiredo government's gradualist approach to reducing inflation.

Sr Bulhoes stressed his conviction that inflation will not be brought down to target level of 55 per cent by the end of 1984 on present policies. He advoated "shock treatment."

As a demonstration of the Government's unity behind the IMF programme the letter of intent was signed by Sr Antonio Delfim Netto, the Planning Minister, as well as by Sr Ernane Galveas, the Finance Minister, and Sr. Affonso Celso Pastore, the central bank governor. Only the signatures of the last two are normally required.

Speaking after the council meeting on Wednesday, Sr Galveas indicated Brazil would be seeking a substantial bridging finance from the international banks to tide the country over until the anticipated disbursement of a new medium-term "jumbo" loan early next year.

The request is likely to have been raised in a preliminary form at yesterday's New York meeting of the 14-bank advisory committee for Brazil by Sr Pastore.

Bankers here estimate that Brazil could require a total of between $2bn and $3bn, depending on its foreign exchange reserves position by the end of November.

The National Monetary Council also decided to reduce the amount of foreign exchange Brazilians and foreign residents can purchase from commercial banks at the official rate of exchange.

U.S. company suspends trials of anti-ulcer drug

BY CARLA RAPOPORT

SMITHKLINE BECKMAN, the fifth largest U.S. drug Company, has suspended clinical trials on a promising new anti-ulcer drug because of suspected side-effects.

The move is likely to have damaging effects on SmithKline's ability to maintain its leadership position in the world's anti-ulcer drug market. The company's current anti-ulcer drug, Tagamet, is the best-selling drug in the world with sales of about $1bn (£667m) a year.

Tagamet has already received a strong challenge in its domestic market from a new anti-ulcer drug produced by Glaxo of the UK. That drug, Zantac, has scored a stunning success in the U.S. market by capturing nearly 20 per cent of all new anti-ulcer drug prescriptions in its first six weeks of sales.

"This suspension makes SmithKline more vulnerable," says Mr Jim Cook of Wood, Mackenzie, the Edinburgh-based stockbrokers.

"Tagamet needs a follow-up and oxmetidine (the suspended drug) was more potent and easier to administer than Tagamet. It would have been a good rival to Zantac."

SmithKline in the UK said yesterday that the new drug's trials had been suspended because it had caused jaundice in one patient.

"If (drug) companies have some sense, they'll react much more cautiously today. A new drug can't be just safe, it has to be very safe. Life is not a bed of roses for new drugs these days," says Mr Alan Sanders, marketing director of SmithKline UK.

Mr Sanders says SmithKline is continuing to look at other new drugs in the anti-ulcer market in order to support its position as market leader.

be great.

TWA plans to reduce workforce by 12%

BY TERRY DODSWORTH IN NEW YORK

Trans World Airlines plans to reduce its workforce by about 12 per cent to 26,000 over the rest of this year as part of a cost-cutting plan aimed at reducing losses in the group's domestic operations.

The reductions are concentrated among ground staff, but the company is also to hold talks with its 2,800 pilots.

The airline, the third largest in the U.S., said its difficulties in the U.S. were eroding record-breaking results in its international operations. In the first half of this year, the airline, a division of the Trans World Corporation, ran up a loss of $108.9m (£72.5m).

The company's problems reflect the continuing strain on profits in the U.S. airline business, which has been hit both by the recession and greater competition following deregulation.

Apart from staff cuts, this has led to a bout of wages reductions and other cost-cutting schemes in several airlines.

At Republic Airlines, the unions have largely accepted a plan to cut wages by 15 per cent—a move the company claims could reduce costs by about $100m over a nine-month period among its 14,500 employees.

Continental Airlines has also tried to trim $40m in wages costs from its ground crews and $80m from pilots.

After an initial proposal was rejected, the company offered employees a 35 per cent equity stake and a 25 per cent share of profits in return for the wage concessions. Continental reported a loss of $84m in the first half of this year.

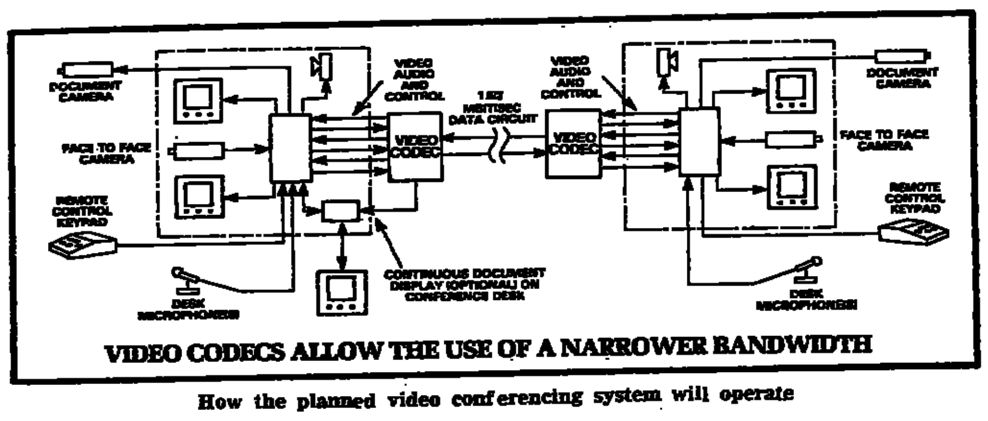
TECHNOLOGY

EDITED BY ALAN CANE

EFFORTS TO PROMOTE VIDEO-CONFERENCING SYSTEMS IN THE UK ARE INCREASING

New boost for meetings by television

BY GEOFFREY CHARLISH



How the planned video conferencing system will operate

FOR A period of three or four year European interest in the use of teleconferencing, in which several people using linked television systems can "meet electronically" without travelling, has been at low ebb due mainly to cost and inconvenience.

The promotional effort has been in rather low key too, partly because of communications engineers realising that the scene would change with the growth of digital storage, transmission, and bandwidth compression techniques, the use of which can significantly reduce costs.

Compression Laboratories Inc. in California recently started promoting a bandwidth reduction technique and compact studio equipment. Now, GEC Jerrold in the UK has revealed some of its activity in conjunction with British Telecom.

The systems emerging are based on work carried out at the Sefton Park research laboratories of GEC McMichael, another GEC company, Stoke Poges, Bucks. These projects are now being moved into the new company recently formed by GEC and General Instrument (the Jerrold parent) called GEC Jerrold. With a staff of 100, the object is to exploit new TV techniques such as cable television and teleconferencing. There has been close co-operation with the BT laboratories at Martlesham.

GEC Jerrold is supplying some 60 codecs to BT for a new teleconferencing trial and also has orders from AT&T in the U.S.

The codecs (digital coding and decoding equipments) take the analogue TV picture signals, digitise them and then process them to reduce the data rate on transmission.

This idea of "bandwidth compression" is not new, but past systems have tended to degrade the picture, particularly where components of it are in motion. The new systems have overcome most of these problems and demonstrations in both the U.S. and UK shows that even at data rates down to about 1 Mb/s acceptable conferencing pictures are obtained with degradation only on rapid movement of head or arms.

In the past, facilities for video conferencing have often been both cumbersome and inconvenient—usually participants have had to travel to a regional conferencing centre. They have also been expensive: BT for example, admits that its Confravision charges provide at best a marginal advantage over the alternatives of business travel.

Apart from this there are questions of standards. Although progress in the U.S. may have been somewhat brisker, over here the PTTs and industry have been working towards a European standard that will allow easy interchange of compressed video throughout the continent over a standard two megabits per second (2 Mb/s) line or satellite channel.

Thus, as the new digital transmission services such as Megastream in the UK became more widely available, so will the opportunities for video conferencing.

The Europeans have clearly scored with their codec, however, because the design allows it to deal with both the 2.0 and 1.5 megabits per second (Mb/s) data rates of Europe and the U.S. and to cope with analogue picture signals at either the European (625 lines 50 frames per second) or the U.S. standard (525 lines, 60 frames).

Tim Duffy, engineering director of GEC Jerrold believes that has put his company, and Europe in general, ahead of U.S. because it makes transatlantic transmission of pictures a much simpler task—the standards conversion that would otherwise be required is built in to the codec. It means that operators in the U.S. will have complete European access and vice versa.

The codecs from GEC-Jerrold are going into a number of UK centres in a nationwide and European trial. For the time being these will deploy ad-hoc cable, optical fibre or microwave connections from customers' premises.

Ultimately it is planned to deploy codecs directly on customers' premises but for the time being this is ruled out by their low volume price (in the £50,000 region) and the availability of final digital connections of suitable capacity.

Connections between the codecs (probably placed in BT telephone exchanges) will be over existing 2 Mb/s trunk links. International links will be over both satellite and submarine cable.

BT expects to have about 50 private terminals and the existing Confravision terminals on the new network by about the middle of next year.

According to Sandra Neilson, who is undertaking international marketing of the trial service at BT, there is "substantial interest" in teleconferencing in Europe. She says there is genuine concern about the amount of money spent on travel by large international companies in particular and the time spent by the more senior company executives in moving about the world. She believes that they could become more productive and make faster decisions.

Later, she believes, teleconferencing would move down market a little to be used by engineering and training staffs, for example.

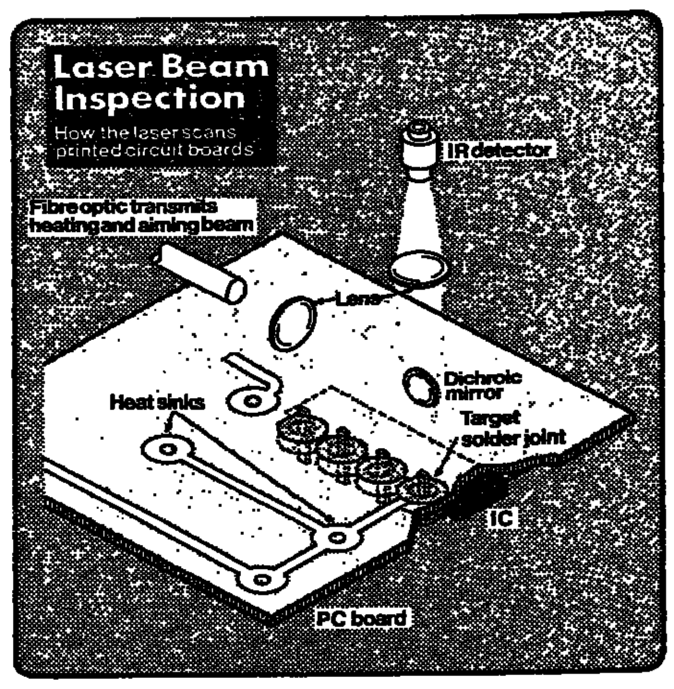
They will all have comprehensive and compact studio equipment at their disposal because GEC-Jerrold is developing combined camera and screen consoles that can be wheeled into, and used in, any reasonably large room. Apart from face-to-face conferencing, graphics facilities will be to hand in which the slightly slower transmission of one frame (in a second or two) allows high definition drawings and diagrams to be sent while the conference continues.

The system will get a public airing later this month when BT is supplying links between the Hilton in London and the Hyatt in Phoenix, Arizona, for the 6th International Digital Satellite Conference.

The cost of the new teleconferencing within the UK is not clarified yet, although it is known that for the U.S. service, BT will charge £800/hour, to include the use of studio facilities. This is the "half-way across" charge; AT&T it is understood will levy a further $1,400 from the U.S. end. For anywhere in Europe, the experimental service costs £225 to the half-way point.

LASER INSPECTION

Light shines on faulty joints



USING a low power laser beam, a machine developed by Vanzetti Systems of Massachusetts is able to inspect the solder joints of a printed circuit board at the rate of about 10 per second, detect faults and provide statistical information about trends.

Available in Europe from Negretti Automation of Aylesbury, the machine, called Laser/Inspect, can pick up faults that exhibit no surface characteristics and so are not detectable even by trained operators.

In spite of the efficiency of modern wave solder machines, there can often be one or two faults for every 1,000 joints on a board ranging from the well known dry joint to various kinds of small hole or inclusion. Sometimes invisible, they can produce electrical faults either immediately, or later in the life of the equipment.

The PC board, mounted on an X-Y table, is moved under computer control to present each joint to a short pulse from a solid-state laser. The joint receives a little thermal energy and on a return optical path an infrared detector of high sensitivity measures the way in which the joint heats up and cools down over a few tens of milliseconds.

This thermal "signature" is a function of the solder joint's characteristics and contains the information from which an intelligent, automatic judgment can be made about its quality.

For example, the heat from the laser pulse would normally conduct away at a particular rate into associated circuits on the other side of the board. Thermal decay at a markedly lower rate could indicate a poor or absent connection.

The machine remembers the thermal signature of a good joint for each location on a PC board and reports any joint that deviates beyond predetermined acceptable standards.

Apart from being able to find and report defects faster and with greater reliability than can be expected from the best quality control inspectors, there are other advantages.

For example, the machine can reduce labour costs by up to 10 inspectors per shift according to the company. It can also reduce the cost of re-work (particularly that performed by overzealous workers doing needless repairs) and substantially reduce field failures and the associated guarantee and repair costs.

Software for Laser/Inspect allows an efficient inspection plan to be easily applied to particular boards and production arrangements. Changing to a different type of board that has already been programmed takes only a few minutes.

The software can also access accumulated data to give statistical information and trend analysis, enabling dangerous production trends to be spotted and corrective action taken. Furthermore, a short session at the keyboard enables management rather than the inspectors to set the accept/reject thresholds and allowable tolerances.

The machine is capable of some quite subtle troubleshooting. For example, a board-to-board comparison might be made of the peak thermal reading for each pin of the same 16-pin dual in-line package over 10 identical boards. Standard deviation and average for each pin could then show, say, that all the pins down one side of the package give consistently higher results than those down the other.

The conclusion could be that there is a misalignment in the automatic component insertion machine.

The machine is not cheap at about £120,000 in the UK. But as the company points out, the costs of such faults on boards can run as high as 3 per cent of sales. It claims that the savings can be remarkable. More on 0296 5931.

GEOFFREY CHARLISH

Components

Moving from linear to rotary

WHERE THE need arises to convert rotary to linear motion, greater freedom of mechanical system design is offered by a device developed by RHP Bearings in Nottingham (0636 705123).

Known as a ball nut, it differs from the conventional ball screw in that it operates on a plain shaft, avoiding the expense of threading the shaft and offering greater linear travel at no extra machining expense.

The device consists of a precision ground steel ring similar to the outer ring of a ball race, a set of precision ground balls and two end covers. The raceway in which the balls roll in the ring, however, is helical over 340 degrees, the remaining 20 deg being taken up with a transfer slot that allows the balls to return to the start of the helix.

Over the working part of their path the balls are a sufficiently tight fit on the shaft to take substantial axial load, while rolling freely around the shaft.

Additional advantages are low friction with reduced power needs, and a finer pitch than is usual with a threaded shaft, giving a low rate of linear movement and allowing direct drive of 300 rpm from a motor.

The device, for which patent applications have been filed, will be offered to suit specific applications and there are no standard packages at present.

Telecoms

Machines to weave cables

AT THE Marconi Space and Defence Systems plant at Kidsgrove in Staffordshire they've developed the art of weaving cables into harnesses using standard textile weaving machinery.

Usually this kind of work is carried out on big board with pegs in to guide the laying down of the various wires and cables—which is both time consuming and labour intensive.

The new approach, called Marconiweave, allows a customer to specify hybrid woven cables combining different types of construction—flat, multilayer or tubular—and to combine a wide variety of different guages and insulations. Any length can be woven into a flat cableform.

The tubular configuration has the added advantage that extra wires, or small tubes carrying fluids can be threaded through axially. But fine tubes and optical fibres can also be incorporated into the flat version along with spacers that enable a constant distance to be held between critical members.

This nylon cross-braiding serves the additional purpose of providing anchor points and relieving longitudinal strain, improving reliability. More on 07816 3501.

COLNE ENTERS LOW COST MARKET

Robots in education

STAYING IN the robotics business in the face of giants like Unimation and ASEA is a difficult task, as several companies who have tried have found out.

The trick is to find a market niche, which is what Colne Robotics has done with its low cost systems aimed at education and the low end of the industrial market. It has sold 1,750 of its small five axis unit, Armdroid 1, in just over 18 months.

Now, Colne's backer Prutec, the venture capital arm of Prudential Assurance in the UK, has followed the original £150,000 put up in May 1981 with a further £200,000 for expansion.

Armdroid 1, available in kit or assembled form, is equipped with a three finger gripper and can be controlled by any personal computer such as Apple, Spectrum or the BBC machine.

Apart from a turtle-type of mobile robot called Zeaker that can be controlled by a home micro and is aimed at schools, Colne is also introducing Corvis, said to be the cheapest solid state vision system available. A larger version of Armdroid 1 is also being made available, suitable for light industrial use.

Manufacture

FMS London conference

THIS YEAR'S conference on flexible manufacturing systems (FMS), the second to be held by IFS (Conferences) of Bedford on the subject, should give a useful indication of what has happened in the last 12 months.

Some 450 delegates from 21 countries attended last October and the organisers expect about twice that number this time. Among the sponsors are the Department of Industry, the Production Engineering Research Association, the British Robot Association and similar organisations from Germany and Japan.

FMS 2 will be held at the London Hilton from October 26 to 28 and more details can be obtained from IFS at 35 High Street, Kempston, Bedford (0234 853605).

Total cost of Far East undersea cable link is put at $172m

BY JASON CRISP

POTENTIAL investors in a major new undersea telecommunications cable in the Far East have been told the total cost is expected to be $172m (£115m) at a meeting in Hong Kong.

The cable will link Taiwan, Hong Kong and Singapore. About two thirds of the cable has already been financed. About 15 telecommunications bodies were represented at last week's meeting to find buyers for the remaining 33 per cent of the cable.

The main investors in the cable are Cable and Wireless (Hong Kong) with 33 per cent, and the international telecommunications authorities of Singapore (19 per cent), Taiwan (14 per cent) and Australia (11 per cent).

The cable is expected to be completed at the end of 1985. It will eventually also be linked to a major new undersea cable connecting Australia, Indonesia and Singapore due to be completed in mid-1986. It may also be linked to another undersea cable crossing the Indian Ocean joining Singapore with the Middle East.

Cable and Wireless refused to say which companies have tendered for the Taiwan/Hong Kong/Singapore cable. There are four companies capable of competing for the contract. Britain's Standard Telephone and Cables (STC) dominates the world market for undersea telecommunications cables.

The other competitors are Nippon Electric (NEC) of Japan, Western Electric, the manufacturing arm of American Telephone and Telegraph (AT & T) and Cables de Lyons with CIT Alcatel in France.

The last major undersea telecommunications cable contract to be awarded was Anzcan, linking Australia with Fiji, New Zealand and Canada. The contract for the 8,000 mile cable was won by STC and was worth £170m. The next major system to be awarded will be TAT-8 which will link Europe and the U.S. and will be the first major cable to use optical fibres.

Most of the rapid growth in international telecommunications traffic in the Far East has been carried by satellite. The new cable is to help redress the balance of traffic carried by the more secure undersea routes. The high growth in computer links between countries often need totally secure communications, whereas satellite earth stations can sometimes fail such as when there are very high winds.

Asea extends production of robots

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

ASEA, the Swedish electrical engineering and electronics group and Europe's largest manufacturer of industrial robots, is to start its first production of robots in Japan and France next month, the company said yesterday.

It is already manufacturing robots in Sweden, the U.S. and Spain.

At the same time it is launching a new industrial robot with a so-called "integrated vision system" which is claimed to be the first complete seeing robot to be running under actual factory production conditions anywhere in the world.

Robots with simple binary vision—the ability to distinguish silhouettes—have been available previously, but Asea claims to be leading the world with the introduction of more sophisticated vision systems which can be simply programmed by factory shop floor workers.

Asea hopes the introduction of more sophisticated robot systems can sustain growth and open new markets which earlier were closed either because the applications were too complex or too costly.

It expects to sell about 1,100 robots this year compared with 750 in 1982 and 507 in 1981. In less than 10 years it has built an annual turnover of more than SKr 500m (£45m) outpacing all other robot manufacturers in Europe.

New orders this year are expected to total more than SKr 600m.

S. Korea plans to ease curbs

THE South Korean Government is proposing to ease curbs on foreign investment from next year. They will include automatic approval of joint ventures for up to 50 per cent of foreign equity, said the Finance Ministry.

A Ministry plan subject to Parliamentary approval, calls for changing the current system of enumerating allowable investment to one of listing only banned or restricted investments, it said.

This would expand the scope of foreign investment by allowing free flow of capital unless listed negatively, Ministry officials said.

Currently, 521 of 855 industries, as classified by the Korean Government, are open to foreign investment, 456 for up to 50 per cent and 65 for up to 100 per cent, they said.

All foreign investment is now subject to Government screening, but the plan calls for automatic approval to businesses with up to 50 per cent of foreign equity unless restricted.

● Overseas construction contracts won by South Korean companies fell sharply to $3.6bn in the first eight months of this year from $9.5bn during the same 1982 period.

The fall was due largely to decreasing revenues of Middle East countries caused by reductions in oil prices.

Reuter

David Buchan on the U.S. position over East-West trade controls

Congress likely to take a tough line

ONE OF the possible effects of the Korean jet disaster is that the U.S. Congress will take a tougher stance this month on East-West trade controls when it renews the 1979 Export Administration Act which expires on September 30.

Even before the tragedy over Sakhalin Island, the Act's renewal had provoked sharp controversy, with Senate and House of Representatives committees diverging far from each other and both, in some respects, from the White House, and at the same time arousing fears in Western Europe and Japan of a bruising repeat of the Siberian pipeline embargo.

A central dilemma is how to check the flow of militarily valuable high technology to the Soviet Union in East-West trade without also turning off the technology tap to U.S. allies.

A further complication is that the new U.S. legislation puts much weight on the U.S. pushing its allies in the Paris-based Co-ordinating Committee (CoCom) into tightening multilateral controls and enforcement on sensitive exports to the Communist East. Yet the current negotiations in CoCom will take another year. This may be long after, U.S. allies fear, counter-productive steps have been taken on Capitol Hill.

As a result, European governments, with Britain in the fore, have mounted their biggest lobbying operation on Capitol Hill for many years.

It is common ground on Capitol Hill that the U.S. should take stronger action to prevent its militarily sensitive technology from reaching the Soviet Union legally or illegally, and that the U.S. should be able to express its political disapproval of the actions of the Soviet Union or other countries by imposing trade controls. What is at issue is the degree of discretion and freedom a U.S. President should have in imposing trade controls for national security or foreign policy reasons.

President Reagan's pipeline embargo last year left varying degrees of bitterness on both sides of the Atlantic, because it was extra-territorial in its reach (affecting foreign licensees of U.S. companies such as John Brown), retroactive (affecting contracts already signed with the Soviet Union), and unilateral (not concerted with U.S. allies or for that matter the U.S. Congress and industry). The important question for the rest of the world is how the new legislation, ready to go in different forms to the floor of the Senate and House, measures up against these criteria:

● **Extraterritoriality.** The perennial controversy about the foreign reach of U.S. law has usually only affected exports, as in the pipeline embargo. But it has now taken new shape with Senate committee adoption of an Administration proposal to bar imports into the U.S. market from companies judged to have violated U.S. national security trade controls or the CoCom rules to which the U.S. subscribes.

What the U.S. want, as U.S. officials say, is "a club in the closet" with which to beat allies, if their enforcement of CoCom rules proves lax.

For nearly all European or Japanese companies, the U.S. market is far more important than the Soviet. The question is whether putting such a provision on the statute book, even if it is rarely used, will not be seriously counter-productive to allied relations.

The House Foreign Affairs Committee considered this a risk, and its Bill contains no such import denial clause. The House has generally been more swayed than the Senate by European lobbying and less by the argument of U.S. business, which prefers import to export controls.

● **Unilateralism.** The committees in both branches of Congress recognised that U.S. controls for military security or foreign policy reasons, cannot succeed if the Soviet Union or others can get what they want from U.S. allies.

Thus Congress is again likely to instruct the Administration to weigh "foreign availability" before deciding whether to licence a U.S. export, as indeed it did in 1979. The U.S. Government has, however, found it hard to assess alternative sources of western supply, in particular whether they are of comparable quantity and quality and thus really "available."

Both Senate and House committee bills contain provisions for the dropping of a unilateral U.S. control within six months, if it is being undermined by sales from another source.

● **Retroactivity.** Both bills would exempt existing contracts from any foreign policy controls for an indefinite time, whereas the Administration has asked that existing contracts be exempted for only a period of 270 days. The Senate language on contract sanctity is more definite, but that is because it generally leaves more discretion to the President on foreign policy controls. The House bill, for its part, would require legal approval of the full Congress for any foreign policy controls or sanctions.

On other issues, U.S. allies have less cause for nerves. Both branches of Congress have called for the Administration to get a move on in incorporating the "militarily critical technologies list" (MCTL) into the U.S. national security control list. The MCTL so far exists only as an advisory document on the shelves of the Pentagon, and for a variety of reasons has proved difficult to translate into working guidelines for the Commerce Department, the licensing arm of the U.S. government. But the theory behind the MCTL—that controls should focus more on broad technologies than specific end products—is well accepted. The hope, of Congress and U.S. allies, is that use of the MCTL could pare the U.S. control list from its present scope of 200 categories covering more than 100,000 items. The U.S. is the only CoCom member to have a national control list much longer than that agreed in CoCom.

U.S. 'interested' in investing in Britain

BY CHRISTIAN TYLER, WORLD TRADE EDITOR

U.S. COMPANIES are showing renewed interest in investing in Britain, according to Mr Cecil Parkinson, Trade and Industry Secretary.

Mr Parkinson, who is to visit the U.S. next month, has met several American businessmen recently and believes there could be significant extra investment in sectors such as electronics, computers and oil.

He said: "There is a different attitude towards us now." This attitude was due to the Government's re-election and to what the Americans perceived as a new stability in the UK economy.

He added that it was not possible to say yet how soon the interest would be translated into projects "Clearly it's not going to be next week."

One of the main reasons for Mr Parkinson's U.S. visit is to talk to businessmen in New York and Los Angeles about the opportunities.

He will also visit Washington for meetings with senior Administration officials on trade policy, including several serious outstanding disputes between the U.S. and Britain.

Asked about these disputes, Mr Parkinson said that for him the most serious issue was the danger of further U.S. protectionist measures following the recent U.S. tariffs and quotas on European special steels.

"I think that in the run-up to the presidential election the protectionist lobbies will be hyperactive in pressing their case." He added: "That is far the biggest threat to our trade relations."

He said he would be urging the U.S. Government to resist the pressures and uphold the commitments to open trading made at the Williamsburg economic summit.

The value of U.S. investments in the UK was £901m in 1981, the latest year for which Government figures are available. Net new investment, including unremitted profits, was £47m in that year. Total trade with the U.S. was worth £14bn last year, with a UK surplus of nearly £1bn.

The minister will also be visiting Japan, to press again the case for easier access to that market.

Anglo-Canadian trade 'expected to improve'

FINANCIAL TIMES REPORTER

BRITAIN'S trade with Canada should improve as both countries recover from the recession, Mr Paul Channon, Minister for Trade, said yesterday.

He noted that the UK's share of the Canadian market had over the last two decades fallen from 10 per cent to less than 3 per cent.

He told the Canada-UK Chamber of Commerce: As development of Canada's massive natural resources picks up again after the recession—and the economy now appears to have begun to be towed along by the dramatic rebound in the U.S.—there should be important new opportunities for UK companies.

"But of course the real key to a sustained revival in Anglo-Canadian trade, which showed a further fall in the first half of this year, is the continued recovery of both our economies. Here the news is clearly encouraging, although the recovery still remains fairly uneven in global terms."

Tunnels contract is awarded

SINGAPORE'S Mass Rapid Transit (MRT) Authority has awarded its first contract for civil engineering work on the system.

The contract was given to a 50-50 joint venture between Tobishima-Takenaka Komuten and Doboku joint venture and is for the construction of tunnels for the first phase of the project.

The contract is valued at S$896.8m and work is to be completed by 1987.

UK NEWS

3% pay rise barrier for civil servants

BY JOHN LLOYD AND MAX WILKINSON

THE GOVERNMENT is planning to peg overall pay increases in the Civil Service to 3 per cent next year, it was announced yesterday.

The announcement will be seen as an important marker of the Government's determination to restrain wage inflation and to cut public spending costs next year.

The announcement represents a double squeeze on the Civil Service. Firstly it is a two percentage point cut from the assumption built into the most recent spending White Paper (government policy document) that pay and prices would rise by 5 per cent in 1984-85.

Secondly, the Treasury made clear that yesterday's announcement referred to increases in pay and allowances, and did not take account of any separate squeeze on Civil Service numbers which may be announced later.

It is expected that the Government will soon announce plans to cut Civil Service numbers by 1 per cent a year for the rest of the decade. The present target is to reduce overall numbers to 630,000 by April 1984.

The difference between the assumption of a 5 per cent pay increase originally built into the White Paper and the 3 per cent announced yesterday represents a saving of about £400m in a full year.

The 3 per cent pay factor will apply to 2.175m public servants employed directly by the Government. Their present pay totals £20bn a year.

It does not apply directly to the pay rises assumed for local authority workers or nationalised industry employees. However, the Treasury will be assuming a broadly similar "pay factor" for these groups in its calculations of the grants payable to local authorities and the external financing limits for nationalised industries.

The CBI is encouraged by the figure, believing it will exercise a slight downward pressure on wages.

Union leaders were angered by the announcement, although most had expected it for some weeks. Mr Peter Jones, secretary of the Council of Civil Service Unions, said it was totally unrealistic. He warned of "serious troubles ahead" if the 1984 pay negotiations were not "unhampered by any artificial factors, such as the 3 per cent figure."

UK money supply still overshoots targets

By Robin Pauley

THE UK money supply continued to overshoot the Government's targets in the August banking month, although the rate of growth is now slowing down at a rate which might bring sterling M3 – the broad measure of money – back in line by October.

Figures published yesterday by the Bank of England show that in the four weeks to August 17, sterling M3 rose by just 0.2 per cent after seasonal adjustment. Substantial sales of gilts helped to balance the large central government borrowing requirement, helping to depress sterling M3 growth. Demand for loans from the private sector has been weak in August after a hefty demand in June and July.

Although all three monetary indicators remain well outside the target range, the fact that they appear to be reining back on to course may tempt the authorities to cut interest rates.

The Bank's figures show the annualised rate of growth in the August banking months was 12.4 per cent.

MARKET PREPARES FOR BIGGEST RESTRUCTURING

Stock Exchange lists options in major package of reforms

BY JOHN MOORE, CITY CORRESPONDENT

LONDON Stock Exchange plans for a radical upheaval in its constitution and the way in which the market carries out its business are likely to lead to the biggest restructuring in the history of the exchange.

Plans have been agreed with the Government and form a settlement between it and the stock exchange in return for the exchange's exemp*tion from British restrictive prac*tices legislation.

Until the agreement was reached, the Office of Fair Trading was pursuing legal action against the exchange in the restrictive practices courts.

Plans include the dismantling by stages of the minimum scales of commission on deals carried out in *the market, and the introduction of* outsiders to the stock exchange ruling council.

In a letter to members of the exchange yesterday, Sir Nicholas Goodison, chairman, and the council, say they are not yet in a position to spell out the precise details or timetable for the dismantling of the minimum commission structure.

But the council has considered possible methods. They are:

- Introduction of negotiated rates by classes of security.
- Introduction of negotiated rates on large bargains either in all classes of security or in different classes of security by stages.
- Introduction by stages of nego*tiated rates for large transactions* and also for small transactions, but leaving the middle value transactions for the time being subject to the commission scales.
- Reduction of present scales at agreed dates.
- Introduction of permitted discounts to the existing scales by stages, reaching full negotiation at a *chosen date. A modification to* this proposal has been suggested which would include the introduction of a new scale for gilt-edged commissions before or at the same time as discounting was introduced.
- Introduction of negotiated rates for all classes of security at a single date.

Neither the council nor the mem*ber firms have yet had time to dis*cuss these ideas. "Nor," says the council, "would it be right for the council to take a decision until there is a clearer indication of the views of users of the market."

But a timetable is to be introduced as soon as possible and the council will be considering "in the near future the introduction of negotiated rates of commission for overseas securities and some changes in the permitted methods of dealing in these securities."

There is a view that this would be a sensible way of starting the process of dismantling. It would be a very substantial move in view of the level of business in overseas *securities transacted by member* firms.

The council has invited further comments from the market about the method of dismantling, and will be considering the implications for the exchange's compensation fund once negotiated commissions are introduced.

Constitutional changes agreed *with the* Goverment require that outsiders be allowed to participate in the regulation of the exchange and its affairs. Introduction of outsiders, or lay members, to the council requires amendment of the exchange's principal constitutional document, the deed of settlement, and the move is to be put to a vote of members

After discussions with the Governor of the Bank of England, "lay members would constitute not more than 25 per cent of the council. The Governor of the Bank of England may from time to time agree a lower percentage," yesterday's letter said.

The stock exchange council will propose the names of suitable can*didates to the Governor.*

Lay members will form a new membership appeals committee which will have the power to overrule a decision of the council to reject an applicant for membership of the exchange who fulfils the requirements of the rules.

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British Telecom to develop own system of itemised bills

BY JASON CRISP

BRITISH TELECOM has abandoned plans to adopt U.S. technology as a short cut to introducing itemised telephone bills based on a new computer system. It is to develop its own system rather than adapt one used in the U.S. by Cincinnati-Bell.

The system will eventually be one of the largest computer projects yet seen in the UK, running to well over £100m. A trial scheme for itemised billing in three areas announced earlier this year cost £23m.

But British Telecom wants to change completely its accounting and billing systems. At present, billing is largely a manual process which is run on three large mainframe computers made by ICL. The new system, called Tabs (Telephone area billing system), would give a fully computerised operation in each of the 61 telephone areas which are being turned into profit centres as part of a major reorganisation of BT.

Part of the Tabs system would give customers itemised bills with *details of long distance and* international calls. This service is available in the U.S. and many European countries.

The trial itemised-billing systems *may* be incorporated within the much more comprehensive Tabs. The trials begin next summer and will last for six months. They will cover 280,000 subscribers in south London, Edinburgh, Leicester and Shrewsbury. The contracts to supply computer equipment to attach to the exchanges are being provided by GEC, Plessey and IBM of the U.S.

British Telecom said it had decided not to buy the Cincinnati-Bell system because of the amount of time and work necessary to convert the American system to meet British requirements. "Differences in working practices between the Cincinnati telephone company's operations and those of British Telecom among the main reasons for the incompatibility," BT said.

The decision is likely to be seen *as a boost for ICL* because the Cincinnati-Bell system was being run on an IBM computer. ICL has been the major supplier of computers to BT. Last night, British Telecom would not say on what computer the system they were developing would be running, although given the wide use of ICL computers within the company Britain's leading data processing company should be in a strong position.

Earlier this year, ICL failed to win an important contract to computerise the British Telecom directory inquiry service. Then Standard Telephones and Cables won a contract worth over £25m

Red Label set for return to UK shops

BY CARLA RAPOPORT

JOHNNIE WALKER Red Label, the world's best-selling Scotch whisky, will be back in British shops in November after a six-year absence.

Distillers, parent of John Walker & Sons, the Scotch whisky producers, have reached agreement with the EEC Commission on a new pricing system for the brand. The company withdrew Red Label from the UK market after an EEC ruling that the company's dual-pricing system for domestic and export sales was in breach of the Treaty of Rome.

Sales of Red Label, a medium-priced brand, account for about 14 per cent of Scotch whisky exports worldwide, or about 10m cases a year. Some UK retailers yesterday were wary about the product's chances of regaining its former popularity in the fiercely competitive whisky trade.

"The public has a very short memory," said Mr Jimmie Duggan, wine and spirit director at Tesco, the UK supermarket chain which was the leading retailer of Red Label before the product was withdrawn.

"In terms of stocks and advertising for this Christmas, we've long since gone to bed."

Pricing of the product will be crucial to its re-entry. In the U.S. Red Label sells for $11.10, compared *with $16 for Johnnie Walker* Black Label. Wood Mackenzie, the Edinburgh-based stockbrokers, yesterday estimated that sales could be running at 300,000 cases a year by next March. The company was selling 1m cases of Red Label a year before the product was withdrawn.

The new agreed pricing system calls for independent UK exporters of Red Label to pay a premium for the whisky which corresponds exactly to the sales development costs of Johnnie Walker's own distributor in the country to which they wish to export. This premium will all go toward marketing and advertising support for the brand in those countries.

Airlines fail to pay 'bumped' travellers

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MANY EUROPEAN airlines are still not offering compensation to passengers "bumped" from flights on which they hold confirmed bookings, according to the UK's Air Transport Users' Committee, a watchdog body aimed at protecting air travellers' interests.

"Bumping" – the name coined to cover the last-minute offloading of surplus passengers when airlines find they have overbooked on flights – is a common problem in the U.S. where it is called "denied boarding." It has been less of a nuisance to air travellers in Europe, although it does occur.

The Air Transport Users' Committee has discovered that nevertheless "a most unsatisfactory situation" exists in Europe, where a compensation scheme for "bumped" passengers, agreed by the Association of European Airlines, does not seem to be working.

The committee, which recently helped set up a European-wide federation of similar bodies, says the new group will make this one of its first major areas of attack.

Air Vice-Marshal Sir Brian Stanbridge, director-general of the committee, says that maximum compensation to "bumped" passengers has stayed at £100 since 1978, when the committee first pursuaded the European airlines to admit that sometimes passengers were "bumped" and entitled to compensation.

Many European airlines still do not offer even that level of compensation. "We now hope that new proposals will bring both uniformity and conformity," Sir Brian says.

The new Federation of Air Transport User Representatives in the European Community (Faturec) includes air transport user bodies in the UK, Belgium, Denmark, France, Ireland and Italy, with other committees or associations being formed in West Germany, Greece and the Netherlands.

Industry 'to back UK fast reactor research'

BY DAVID FISHLOCK, SCIENCE EDITOR

A SUBSTANTIAL contribution from British industry towards the cost of the UK's fast reactor development programme can be expected to be agreed shortly, it was disclosed yesterday by the UK Atomic Energy Authority.

This follows the announcement last week by Mr Peter Walker, Secretary for Energy, that Britain is to join a club of European nations led by the French in developing the commercial fast reactor.

Sir Peter Hirsch, chairman of the Authority, said yesterday that its budget of about £100m a year for fast reactor research and development provided by parliamentary vote was likely to fall to about £70m by 1985-86.

But a substantial contribution from industry, together with increased sales of electricity from its prototype fast reactor, could restore much if not all of the shortfall.

The authority is discussing with industry proposals for component development which could be worth £5m-£15m a year.

They stem from the compact design of fast reactor proposed by the National Nuclear Corporation (NNC) two years ago, which has been reviewed by the Central Electricity Generating Board, the South of Scotland Electricity Board and British Nuclear Fuels.

These three companies have approved in principle the NNC design but have indicated a need for component validation for three major innovative features.

The three features are the heat exchanger, the steam generator and the plenum round the core, together with safety of the complete system.

In addition, the authority expects to increase its electricity sales from its 250mw prototype fast reactor at Dounreay in Scotland from a maximum of about £4m a year to about £15m, as a result of major engineering changes outside the fast reactor core.

These changes are expected to be introduced over the next year.

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UK NEWS

Nuclear freeze 'needed urgently'

By Peter Riddell, Political Editor

BY FAR the most urgent task today is to freeze the balance of nuclear weapons at its present level, Mr Denis Healey, deputy leader of the Labour Party, said yesterday in Washington.

Addressing an international forum, including U.S. Congressmen, Mr Healey argued that there was now "rough overall global equivalence in nuclear weapons between the superpowers." This had been maintained in Europe even after the Soviet Union's replacement of the SS-4 and SS-5 missiles with the SS-20.

Mr Healey said this equivalence was maintained at levels of destructive power far greater than was justified by any rational military purpose. "The case for reducing the arsenals on both sides to the minimum required for deterrence is overwhelming," he said. But the urgent priority was to freeze the present balance.

"For, unless a freeze can be agreed in the next few months, both sides will embark on new weapons and programmes which will rapidly destabilize even the existing balance, and make future arms control more difficult," he said.

Mr Healey said that the immediate danger lay in two areas. Firstly, weapons such as Pershing 2 and MX might appear to be intended for a first strike against an adversary's command and control centres and might be vulnerable to a pre-emptive strike.

Secondly, there were weapons which were incapable of detection without a degree of on-site inspection, which neither side would tolerate. This was the case with the cruise missile.

BELGIUM DISCUSSES ELECTRICITY TIE WITH BRITAIN

First phase of Anglo-French power link nears completion

BY MAURICE SAMUELSON

BRITISH and Belgian electricity industries have had preliminary talks about connecting their national grids by submarine cables similar to those planned between England and France.

This was disclosed yesterday by the Central Electricity Generating Board (CEGB) during a press conference to announce the near completion of the first phase of the £600m link with Electricité de France (EdF), its French counterpart.

Mr John Yates, the CEGB's project engineer for the French link-up, said the board had carried out initial feasibility studies on behalf of Belgium's power authorities. A link might become practicable in the 1990s.

The board was also examining the possibility of power-sharing connections with other continental countries, he said.

The £600m cost of the Anglo-French link will be borne equally by the CEGB and EdF. When fully operational, each authority expects to earn about £40m a year from it, giving them a payback period of seven years on the capital outlay.

The financial burden is being eased by two big long-term loans awarded last April — £35m to EdF and £30m to the CEGB. French costs are slightly higher because they need to strengthen transmission lines in France.

Dr James McNeillis, construction director of the CEGB, said such links enabled countries to swap electricity at times when one system was producing power more economically than another.

Since peak demand periods varied from country to country, the utility with the lower demand level would be able to support the other partner with its spare plant.

The first phase in the link with France – cutting the first of two pairs of seabed trenches – is about to be completed six months ahead of schedule. Work is on target to enable the first power to be exchanged in 1985.

A 176-tonne tracked machine which has been cutting trenches for the first cables, will shortly crawl up the beach near Folkestone, Kent, as it slices through the last section of rock.

In the past six weeks the machine, which is remotely controlled from a barge, has cut 45 km trenches from Folkestone to Sangatte, near Calais, and back. Its cutting edge – like that of a rotary shearer used in coal mines – has dealt with more than 200,000 tonnes of chalk, rock and clay. In addition, it has had to negotiate uncharted wrecks and debris from the Second World War.

When completed in 1986, the four trenches, each containing two cables, will enable England and France to swap 2,000 MW at any time with the first 1,000 MW becoming available in 1985.

Both countries are building large plants to convert the electricity from alternating to direct current as it flows under the sea. Next week the CEGB will be laying the land section of its cable from Folkestone to the new converter station at Sellindge, nearly 12 miles inland.

French authorities will start to lay the second two trenches next year. Unlike the CEGB the French, using a different type of machine, will be cutting their trenches and laying cables in a single operation.

The deep-slit trenches, 1.5 metres deep and 60 centimetres wide, have been dug to protect the cables from being fouled by ships' anchors and trawling nets.

A 160 MW power link laid across the channel in 1961 was abandoned this year, mainly because of the damage it suffered.

Managers buy BL castings foundry

By Charles Batchelor

KEIGHLEY FOUNDRIES, in West Yorkshire, one of BL Austin-Rover's four foundry plants, has been bought out by a three-man team of BL managers in a deal worth £1m.

The foundry supplies castings mainly to the car industry. It has been profitable in recent years with turnover at present running at £3m a year.

The team which arranged the buyout will hold two thirds of the equity, with the rest owned by Guidehouse, a small London merchant bank, and the West Yorkshire Enterprise Board, which have jointly funded the operation.

Mr Roger Burdett, who led the managers' negotiations, said: "We want to stop the contraction of the foundry sector and expand both turnover and the number of employees. BL is still our biggest customer, but the buyout will enable us to go into sectors of the market which BL would not have entertained."

BL has been criticised within the engineering industry for maintaining foundry capacity, while privately owned companies have been contracting.

British steel output rises

Financial Times Reporter

STEEL PRODUCTION in the UK averaged 250,000 tonnes in August; up 18.3 per cent on output last year. Official figures published yesterday are, however, somewhat distorted by the effects of holidays at private and public-sector plants.

Production for the first eight months of the year, at an average 284,700 tonnes a week, is 1.5 per cent below the 289,100 tonnes a week for the first eight months of last year.

The biggest production gains last month were made in Wales where, according to statistics kept by the British Steel Corporation and the British Independent Steel Producers Association, output averaged 82,800 tonnes a week against 61,300 tonnes a week in August 1982.

To the Holders of

TOKYU LAND CORPORATION

7¾% Convertible Bonds Due 1996

Pursuant to Clause 7(B) and Condition 5 (xii) of the Trust Deed dated as of 31st March 1981, relating to the above-mentioned Bonds, notice is hereby given as follows:

1. A free distribution of Shares of our Company will be made to shareholders of record as of September 30, 1983 in Japan at the rate of 0.1 Share for each Share held.
2. As a result of such distribution, the Conversion Price at which the above-mentioned Bonds may be converted into Shares of our Company will be adjusted effective as of October 1, 1983 Japan Time, from Yen 309.5 per Share to Yen 280.6 per Share pursuant to Condition 5(C) of 7¾% Convertible Bonds Due 1996.

TOKYU LAND CORPORATION

Dated: September 16, 1983

UK NEWS

Kinnock proposes softer line on EEC withdrawal

BY JOHN WYLES IN STRASBOURG

MR NEIL KINNOCK, who is apparently coasting to victory in next month's election for the Labour Party leadership, yesterday offered Labour a new approach to EEC membership which relegates withdrawal from the Community to a "last resort."

Speaking to members of the European Parliament's socialist group, he said the party had to recognise that by 1988 Britain would have been in the EEC for 15 years. Withdrawal then would not be impossible, but after such a long time it should be regarded "as a last resort that is considered only if and when the best interests of the British people cannot be feasibly safeguarded by any other means."

Mr Kinnock managed to sound very enthusiastic about the possibilities of working with other socialist parties within and outside the EEC. But a careful scrutiny of his speech confirms that he has not abandoned any of his party's objections to the Community. Rather, going soft on withdrawal is seen as a tactical necessity in the run up to next June's elections to the European Parliament.

These elections would have special significance for Labour "as the means of showing that we are regaining support in the country and as a means of focusing attention upon the multiple inadequacies of Tory government," said Mr Kinnock.

He urged "a positive approach" to that election, with three other planks to Labour's campaign in addition to a change of emphasis on withdrawal.

One should be a campaign for a new Common Agricultural Policy which put less burden on British taxpayers and consumers. At a press conference afterwards he suggested the EEC-wide use of the deficiency payments system operated by the UK until 1973.

Secondly, Labour should insist that Britain could not accept a continuing outflow of investment and employment which was not offset by any improvement in Britain's trade position. And thirdly, the party should campaign for economic expansion in Europe.

While attacking the EEC's "social market" underpinnings and warning that under Labour Britain would have to erect some barriers against trade with its partners, Mr Kinnock also had a vision of community initiatives

The Eurodollar and Eurobond markets' "money alp" was now more than $1bn, and he proposed that the EEC should tap this through some form of "gilt-edged" stock and put the money raised into regional development.

Asked later whether he was worried about the Social Democratic Party-Liberal Alliance challenge in next year's elections, Mr Kinnock attacked Dr David Owen, the SDP leader, as a man who this week had "forsaken radicalism with the same ease that he forsook socialism."

High Speed Trains have heat problems

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

BRITISH RAIL's fleet of 95 High Speed Trains, built at a cost of £190m, will have to undergo modifications after major problems with the system for cooling the engines.

Urgent discussions are being held between BR and GEC, whose GEC Paxman subsidiary supplies the diesel engines, on the handling of the programme of modification – or possibly redesign – of the engines.

This latest problem follows a claim by BR two years ago for damages against GEC in respect of the initial performance of the engines. This claim has been suspended to keep the fleet in operation.

It is not yet clear whether the primary responsibility for the fault lies in the BR design of the locomotive or in the components supplied by GEC. But the matter is being taken very seriously by GEC, whose chief executive, Lord Weinstock, has written to the British Railways Board assuring it that the programme is receiving priority attention.

The cooling problem with the HST engines came to a head in the summer, when the combination of the hot weather and BR's increasingly intensive use of the HST fleet caused breakdowns. The whole fleet is equipped with the Paxman Valenta engine, although the difficulties have been more acute with the HSTs on the Western Region, where frequent stopping and starting puts more strain on the engine.

The problem is causing some embarrassment to GEC, which admits that the engine – designed with the HST in mind – should be able to stand up to intensive use. GEC says, however, that the Valenta is working satisfactorily in HSTs used by Australian Railways and in certain applications for the Ministry of Defence.

BR has taken delivery of the last of the HSTs, which have proved very popular with the travelling public. An earlier problem, however, arose with the electric traction equipment, also supplied by GEC, causing BR to switch its last batch of orders to its other traction equipment supplier, Brush, which is part of the Hawker Siddeley group.

Final agreement between GEC and BR on the allocation of costs for these modifications is still awaited, although some of the cost has certainly been met by GEC. Other problems with the diesel engines, concerned with turbo-blowers and exhaust manifolds, are already being attended to.

Salt producers face monopolies inquiry

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE SUPPLY of white salt in Britain by Staveley Industries and ICI is to be investigated by the Monopolies and Mergers Commission.

The Office of Fair Trading (OFT) asked for the inquiry because of its concern over the lack of price competition and the high level of profits earned by the two companies.

ICI and Staveley supply the bulk of salt used for industrial purposes, mainly in the tanning and dyeing trades. One possible outcome is that they will be asked to reduce their operations to allow for greater competition.

ICI's Mond division accounts for some 95 per cent of the output of UK salt production, although about half of this is exported. Thus, ICI has about 48 per cent of the British market with a similar share controlled by British Salt, a wholly-owned subsidiary of Staveley Industries. Two small operators are the New Cheshire Salt Works and Ingram Thompson.

These companies also supply the small table salt market. Rock salt, however, which is used for de-icing roads, is not included in the investigation.

Sir Gordon Borrie, director general of the OFT, has asked the commission to decide whether the companies were operating against the public interest.

Staveley Industries said it was aware of the need for an investigation, but it would co-operate fully so that the inquiry could be completed as quickly as possible.

British company may aid U.S. job creation

BY MAURICE SAMUELSON

A PRIVATE British company specialising in creating jobs in areas of severe unemployment may be asked to set up a job creation scheme in the U.S. in one of the areas hit most badly by the recession in the American motor industry.

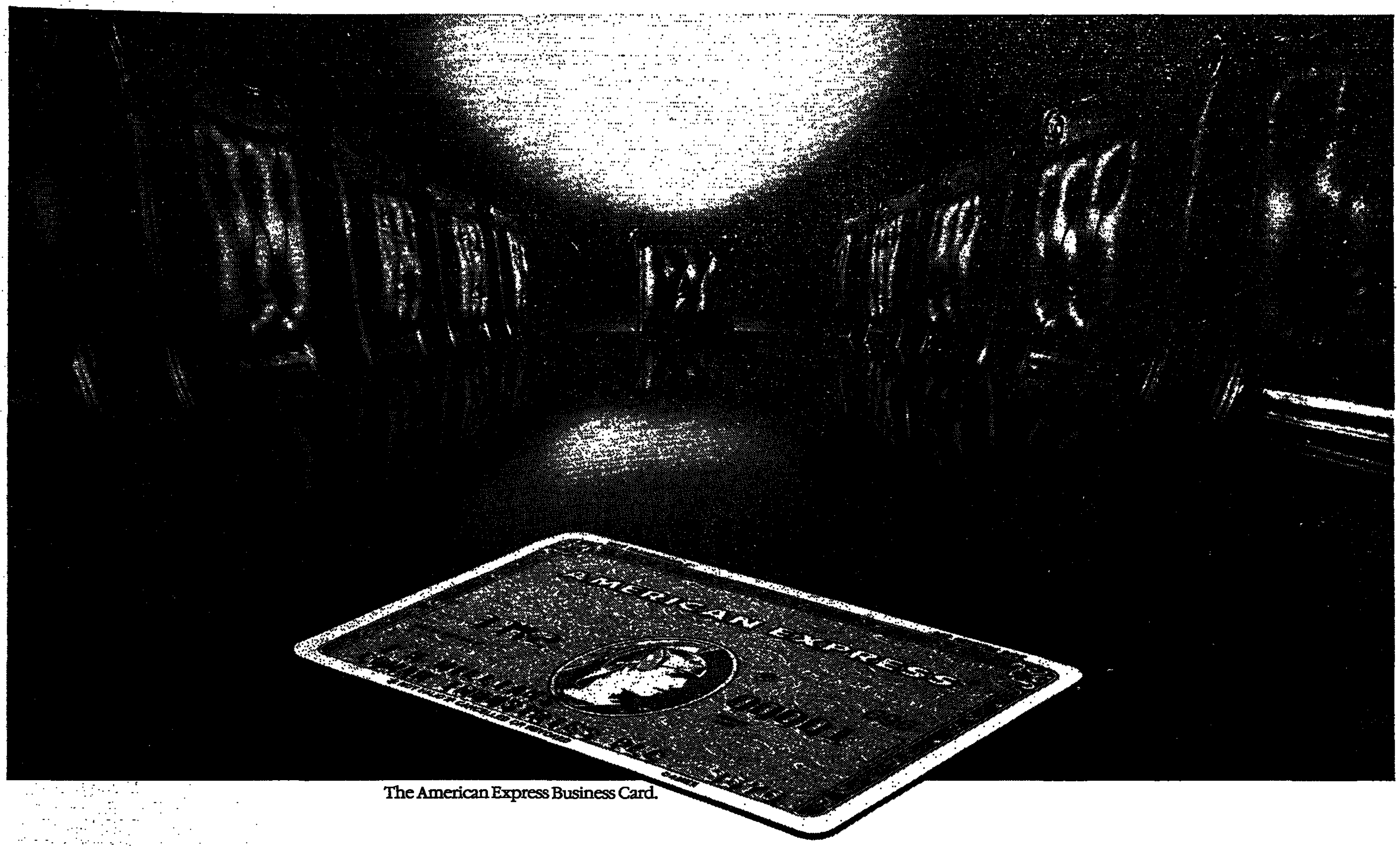
Job Creation (JCL), headed by Mr Paddy Naylor, the founder and former chairman of subsidiary BSC (Industry), the British Steel Corporation's job creation subsidiary, has drawn up proposals for providing new employment at Flint, Michigan, one of the original centres of General Motors.

The company has been called in by the privately funded Mott Foundation, which spends about $40m a year on philantrophic and cultural projects, mainly in the Flint area.

About 12 of the foundation's trustees, headed by Mr William White, its president, will be in Britain and the Netherlands next week to inspect schemes in which JCL is involved. The company hopes the visit will lead to a formal request that it should run an "industrial village" on the site of one of the oldest General Motors plants at Flint.

JCL says it has been involved in creating about 700 jobs in the UK. It charges a fee of $400 for every job it creates through the stimulation of new business.

It was formed in mid-1981 by Mr Naylor and two other former BSC (Industry) executives. Its directors include Mr Alan Williams, Labour MP for Swansea West, a former industry minister.



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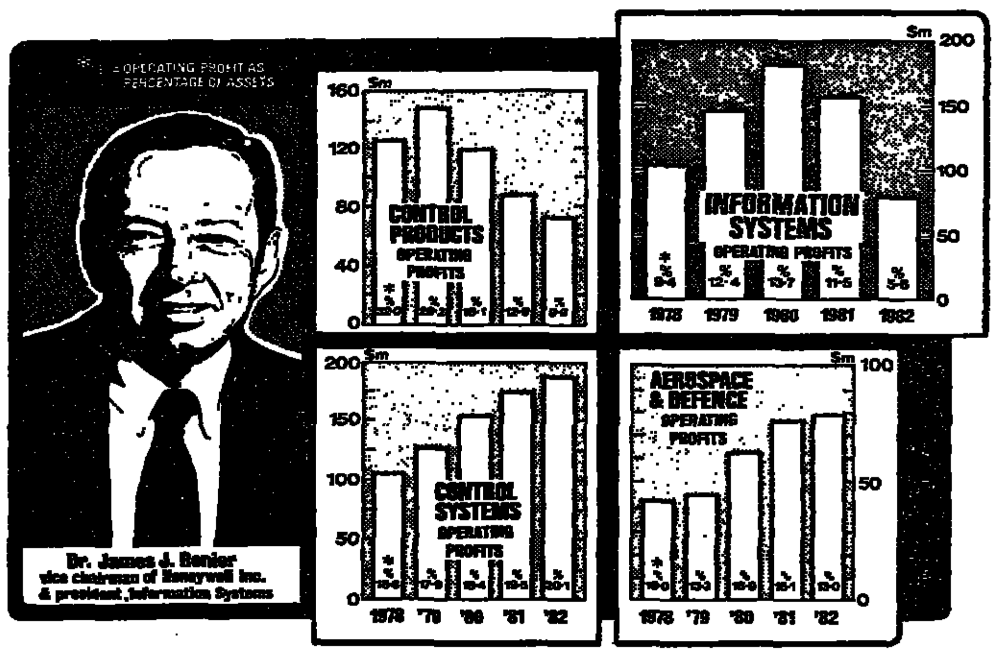
THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Honeywell confronts its Achilles heel

Jason Crisp looks at the problems facing the U.S. controls group's computer division at a time of further price cutting by IBM



Dr. James J. Renier vice chairman of Honeywell Inc. & president, Information Systems

Brana Radovic

AFTER MANY years spent building up a substantial computer business Honeywell, the U.S. controls group, now finds that its Information Systems division is its biggest headache. The division's deep-rooted and fundamental problems have resulted in a sharp fall in profits and declining revenues which are pulling back an otherwise successful company.

The problem is particularly uncomfortable for Honeywell because computer technology is now at the heart of practically all its other businesses, such as controls and measurement in industry, commerce, defence, aerospace and even the home. Steve McLellan, vice-president of Salomon Brothers, the New York investment bank, says: "Information Systems has become Honeywell's Achilles heel."

Yet, four years ago, Honeywell was beginning to feel some relief about its computer business. After a decade of pouring money from its profitable controls business into the computer side the investment *was at last beginning to pay off.*

By the summer of 1980 it could boast it had achieved a worldwide critical mass of customers in mainframe computers. By then it had the second largest number of computer installations in the world—second only to International Business Machines (IBM).

Honeywell's move into the major league came in the 1970s when it bought the customer base of General Electric (GE) and Xerox when they were getting out of the computer business. Honeywell *Information Systems (HIS)* grew into the largest single division in Honeywell, accounting for 36 per cent of sales in 1978 and about 30 per cent in 1982.

Although it has the second *largest installed base* of computers in the world, revenues from data processing in 1980 were ranked fifth and now it is even lower. Most of Honeywell's business is in mainframe computers with a small proportion in minicomputers. It does not have a personal computer, as is generally understood, though it did bring out a *desktop computer earlier this year.*

Honeywell's problems are multiple:

● It has been hit by the relatively slow growth in the new mature mainframe computer business. The real growth market has been in mini and micro computers where Honeywell is either weak or does not have products.

● Profits were hit because the company was geared for the growth which has not materialised while costs continued to rise.

● Like other mainframe computer manufacturers Honeywell has been badly hit by the new aggressive stance being taken by IBM. Characteristically this week IBM cut the price of its powerful general-purpose mainframe computers by up to 14 per cent in the U.S. and 14 to 20 per cent in the UK. IBM has been introducing new models more quickly, cutting prices and marketing vigorously and making life extremely difficult for its main competitors. (See article by Guy de Jonquieres August 15).

● Research and Development costs just to stay in the computer business are becoming cripplingly high for Honeywell. Last year HIS spent $205m on R and D. Honeywell's corporate funded R and D totalled $397m and customers funded a further $354m.

● It faces problems in Europe because of its relationship with Bull, the deeply troubled, *nationalised* French computer group in which Honeywell holds a 19.9 per cent stake. Bull sells Honeywell computers in most of Europe except Britain and Italy. (This week Bull said it expected to make a loss of FFr 600m in the current year compared with a FFr 1.35bn deficit in 1982.)

Honeywell is not alone in facing these problems which are shared by most other mainframe companies, including Britain's ICL, and leading companies in the U.S. like Burroughs and Sperry. Only IBM has been *really successful in forging into* new markets, such as its runaway winner,the Personal Computer. But Honeywell does have a number of other strong businesses—where the only major problem has been the *U.S.* recession.

Last September Honeywell began a shake-up of its Information Systems division. Jim Renier, [illegible] vice chairman of Honeywell and at that time chief executive of its most successful division, Control Systems, was moved to HIS. Renier has been widely seen as the *natural successor to Ed Spencer,* Honeywell's chief executive since 1974. Solving HIS's problems is probably the greatest challengeof his 27-year career at Honeywell.

Renier has made a number of important changes:

First he began to tackle soaring costs by cutting staff by 1,750 and bringing total job *losses in HIS to 2,900 in just* over a year.

Second, in March this year he reorganised HIS's marketing to move it away from direct competition with IBM and to pay greater attention to finding more specialist niche markets.

Third, Honeywell is to make less equipment itself and buy more products from outside whenever *it is cheaper.*

Fourth, is a greater willingness to build links with other companies as a way of reducing research and development costs and entering new markets.

In March, Renier divided HIS's marketing into two sections. One is "Standard Products" which continues with the more traditional line of selling the computer hardware with its basic operating systems. The second, which reflects the direction in which HIS is moving, is "Systems Business."

The object of the systems business is to provide complete solutions for customers' problems. This activity has itself been divided into three. *Office Systems,* which is specialising in implementing office automation in very large companies. *Manufacturing Systems,* which similarly specialises in factory automation in large companies. *Application Systems,* which is aimed at a number of verticle markets, such as pharmaceuticals, retailing and health care.

The hope is that the systems business will be able to exploit Honeywell's large customer base as companies automate their offices and factories and use more communications.

Jim Renier comments: "We work to solve customers' problems . . . we want to move more into the systems business which IBM does not do." But he also warns of the danger of having too much specialist business. "We have been attracted to too many one-of-a-kind contracts. I have never known anyone make money out of those."

Honeywell also hopes to overcome the problem of soaring research and development costs by sharing them with other companies, including Bull in France. It has been in discussion with Japan's NEC for several months. For many years NEC was a licensee of *Honeywell's computer* technology but now the situation may be reversed.

Both Honeywell and NEC are reticent about the nature of their talks. Ed Spencer, Honeywell's chief executive, sees NEC, Bull and Honeywell selling the same top-of-the-range large mainframe computers around the world.

Another link being forged by Honeywell is a joint venture with L. M. Ericsson, the Swedish telecommunications company. The deal demonstrates how Honeywell is seeking both to share development costs and to buy in products.

The joint venture will develop products which integrate telecommunications and data communications. This move follows the trend of a growing number of links between computer and telecommunications companies: the most notable was IBM's purchase of 15 per cent of Rolm, a fast growing Californian company which makes PABXs.

In addition, Honeywell will *market L. M. Ericsson's MD110* private telephone exchange in the U.S.

Honeywell's relationship with the French company Bull—until recently known as CII-Honeywell Bull—continues to be uncomfortable. Last year Honeywell's stake in CII-Honeywell Bull was reduced from 47 per cent to 19.9 per cent.

Bull markets Honeywell products in most of Europe, Scandinavia, Africa, South America and the Middle East. It accounts for over 30 per cent of Honeywell's installed base, and also manufactures a medium sized mainframe computer for Honeywell. Although Bull is a major outlet for Honeywell computers, Ed Spencer says the business is only worth 8 to 10 per cent of HIS revenues.

Jim Renier tries to put a brave face on Honeywell's relationship with Bull, but it is clear there is a major gap between this private, U.S. company and the loss-making, state-owned and state directed Bull.

"I don't think we will ever believe a government can run a business. They are our joint business partner and we don't know how to deal with it. No one gets laid off at Bull . . . we don't know how to explain this to U.S. stockholders. I don't know how long the (French) government will go on subsidising Bull which otherwise would be bankrupt," says Renier.

There are some signs of a small improvement in HIS. In the first quarter of the financial year Honeywell reported that the Information Systems business had made a "modest operating profit" compared with a loss in the same quarter the previous year.

Ulric Weill, analyst with Morgan Stanley, the U.S. investment bank, comments on Renier's changes at HIS: "He has got the right strategy and the right concepts. Now the important thing is their execution and on that the jury is still out."

The problems with HIS are likely to be a feature of Honeywell for some time. Analysts believe that better management of HIS will at least halt the decline. Also the importance of the computer division within Honeywell will decline as other, more profitable divisions continue to grow. And, as Ulric Weill points out, the technology fall-out from HIS to other divisions is not overpowering.

Honeywell itself defines the critical technologies of the future as: software, design automation, robotics, production technology and integrated circuits.

The company now looks to energy conservation, productivity improvement and aerospace and defence for its three main growth areas. But most outsiders will still be watching how well Jim Renier fares in his efforts to pull round the computer division.

Stronger performances elsewhere

INEVITABLY the problems at Honeywell Information Systems draw most attention at Honeywell at present. The other businesses are performing relatively well but have been hit to varying degrees by the U.S. and world recession.

Control Products, which includes Honeywell's semiconductor and electronic components business, residential controls (like thermostats) and a wide range of industrial components, has declined over the last four years. The division's performance closely follow the U.S. economy.

Problems stem from lack of industrial investment in the U.S. and, until recently, the very low levels of housing starts. The outlook is much more promising as a result of U.S. recovery, and the increase in house building.

Honeywell's investment in this division has continued to be strong. Synertek, Honeywell's semiconductor subsidiary has built a new large microchip plant in Santa Cruz, California. Synertek, acquired in 1978, is one of the largest U.S. companies producing custom microchips and is a major supplier to the video game and personal computer companies.

Aerospace and Defence has been virtually immune from the recession, with profits and orders reaching record levels. The division is a major subcontractor on the space shuttle, with sales to date of $35[illegible]. High levels of military spending in the U.S. have boosted this division, which is involved in a wide variety of activities from undersea surveillance to radar altometers.

Control Systems is now the same size as HIS measured by turnover but is Honeywell's largest profit generator by far. The division includes process control systems, energy conservation and building management controls and security systems. Growth has been slowed by U.S. recession and lack of investment in plant and commercial buildings. Industrial controls are expected to pick up in the latter part of this year and energy conservation has shown some modest growth.

Business courses

Defence contracting for accountants. London. October 13-14. Fee: £368 (£391 after September 29 1983). Details from J. K. Van Wycks, Seminar Division, Crown Eagle Communications Ltd, 2 Bloomsbury Place, London WC1A 2QA. Tel: 01-636 0617. Telex: 896827 TACS.

Trade unions in the 1980s — challenge and response. Henley. October 16-21. Fee: £630 plus VAT. Details from the Registrar, Henley—The Management College, Greenlands, Henley-on-Thames, Oxon RG9 3AU. Tel: 049 166 454. Telex: 849026 HENLEY G.

Effective data Collection. Leeds. October 12. Fee: Members £69; non-members £89.70. Details from the Seminar Secretary, BPICS, 3 The Square, Sawbridgeworth, Herts. Tel: 0279 723554.

Product management. Brussels. October 3-7. Fee: Non-members BFr 60,000; Members (AMA/I) BFr 54,000. Details from Management Centre Europe, Avenue des Arts 4, B-1040 Brussels, Belgium. Tel: 02 219 03 90. Telex: 21.9.17.

Improving matrix management. Brunel. October 19-21. Fee: £325. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex, UB8 3PH. Tel: 0895 56461.

Consulting and influencing — skills and strategies. Brunel. October 24-28. Fee: £550. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895 56461.

The effective manager. London. October 2-7 1983. Fee: BIM members and collective subscribers £365; non-members £425.50. Details from the Conference Office, British Institute of Management, Management House, Cottingham Road, Corby, Northants NN17 1TT. Tel: 05363 4222.

Agencies

IN YESTERDAY'S article on the merger between Lowe Howard-Spink and Wasey Campbell-Ewald—part of the American Interpublic group's Marschalk Campbell-Ewald Worldwide subsidiary — the "new wave" agencies mentioned should have read "Leagus Delaney, Gold Greenlees Trott, Wight Collins Rutherford Scott, Bartle Bogle Hegarty." The error, which was due to a missing line of type, is regretted.

THE ARTS

Opera and Ballet

LONDON

Royal Opera, Covent Garden: the first of the season's new efforts is a Stravinsky-Ravel double bill (The Nightingale and L'Enfant et les Sortilèges) which combines the talents of John Dexter, David Hockney, Frederick Ashton, David Atherton, Natalia Makarova, Anthony Dowell, Phyllis Bryn-Julson and Ann Murray – a glamorous ensemble indeed. Also, further performances of Berg's Lulu, one of the Royal Opera's strong achievements of recent years.

English National Opera, Coliseum: Further performances of Toussaint, David Blake's impressive Caribbean operatic epic; of the new Ariadne on Naxos, conducted by Walter Weller; and of the ENO's famous Rigoletto, produced by Jonathan Miller as a New York Mafia drama.

Sadler's Wells, Rosebery Ave: the Sadler's Wells Royal Ballet plays La Fille mal Gardée on Friday, Saturday and Monday; then a new triple bill is on view: well worth a visit.

Bloomsbury Theatre, WC2: The Ivo Cramer Dance company from Sweden makes its London debut, performing throughout the week.

Royal Opera, Covent Garden: the Royal Opera's double bill of Le Rossignol and L'Enfant et les Sortilèges will show Makarova and Dowell in Ashton choreography for Rossignol; essential viewing.

WEST GERMANY

Berlin Deutsche Oper: at the occasion of this year's Wagner anniversary the Flying Dutchman is presented this week with Martta Napier and Gerd Brenneis in the leading roles. The Magic Flute features Carla del Re and Barry McDaniel. The Marriage of Figaro convinces thanks to Pilar Lorengar in the leading role. Further performances are Der Wildschütz and Don Giovanni sung in Italian.

Hamburg Staatsoper: Ein Maskenball has Montserrat Caballé and Franco Bonisolli in the main parts. Hoffmann's Erzählungen has Edda Moser as Olympia. Alexander Zemlinsky's rarely played Der Kreidekreis and Der Liebestrank round off the week.

Frankfurt Opera: Zimmermann's "Die Soldaten" on only one night this season brings together Ilse Gramatzki and Walter Raffeiner. My Fair Lady is a fresh and delightful revival. Die Entführung aus dem Serail has fine interpretations by Faye Robinson and Alejandro Ramirez. The Magic Flute has Manfred Schenk and Elfie Hobarth in the main parts. Der Wildschütz is conducted by Michael Luig.

Cologne Opera: premiering this week is Elektra. Munich's opera director August Everding introduces himself to the Cologne audience with this production. Gwyneth Jones, Hermann Winkler and Helga Dernesch and also making their debuts. Don Giovanni is cast with Norma Sharp and Claudio Nicolai.

Munich Bayerische Staatsoper: acclaim for The Magic Flute with Lucia Popp, Peter Schreier and Edita Gruberova was great.

Berlin Philharmonie: this year's 33rd Berlin Festival runs from Sept 1 to Oct 2. The third week of performances opens with an evening dedicated to the German contemporary composer Hans Werner Henze with a four-way offering played by the Berlin Philharmonic Orchestra conducted by Henze himself (Sat). Brahms Lieder recital with Dietrich Fischer-Dieskau, piano, Hartmut Hoell (Sun). Berlin Opera: Lieder recital with Julia Varady and pianist Aribert Reimann: Tchaikovsky, Prokofiev and Mussorgsky (Tues). Guest appearance of the Munich Philharmonic Orchestra conducted by Celibidache closes the week. (Wed, Thurs).

BRUSSELS

Théâtre Royale de la Monnaie: Capriccio, conducted by John Pritchard with Felicity Lott (Sat, Tue).

NEW YORK

New York City Opera: Scheduled performances this week are The Magic Flute, La Bohème, La Rondine and Cendrillon, but check progress on strike, which has cancelled much of this season already. New York State Theater, Lincoln Center (8705570).

Béjart Ballet (City Center): a week's mixed programme marks the company's 21st year with excerpts from Béjart's most popular works collected as Eros Thanatos performed along with Wein, Wein nur du Allein. 55th E. of 7th Av. (5817907).

ITALY

Venice: Teatro Malibran, Handel's Agrippina (Sat). Teatro La Fenice, Puccini's Madame Butterfly (Fri, Sun).

Theatre

LONDON

The Tempest (Barbican): Derek Jacobi takes a short respite from his recent triumph as Cyrano to add last summer's Stratford Prospero to the RSC London programme. A younger magus than is usual, he gives a performance that is technically accomplished and imaginatively adventurous. An entertaining production. (6288795)

Tales from Hollywood (Lyttelton): New Christopher Hampton play about the European emigrés working in Tinseltown during the war. Intelligent, witty and pertinent play about the artist in exile, with Michael Gambon as the lugubriously resurrected Odon von Horvath and Ian McDiarmid a predatory, very funny Brecht. (928 2252)

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

A Patriot For Me (Haymarket): Alan Bates leads a wonderful revival of John Osborne's masterful play about sexual and conspirational intrigue in the Austro-Hungarian empire. A rich tapestry, with a famous drag ball scene at the centre. (9309832).

Great and Small (Vaudeville): Glenda Jackson in top form as an urban lady on the brink. Keith Hack's production is very fine, and London has done full justice to Botho Strauss, one of West Germany's leading young playwrights. Pessimistic material but a highly refreshing, and above all different, sort of evening. (8369988).

Song and Dance (Palace): Surprise hit at the Palace, newly acquired by the show's composer Andrew Lloyd Webber. Lulu now sings, Graham Fletcher dances. Overblown middle-brow stuff. (437 6834).

Blood Brothers (Lyric): Strong rock melodrama by Willy Russell about Liverpool twins separated at birth. Pop star Barbara Dickson, very like a young Gracie Fields, is superb as their grief-wracked mother. (437 3686).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a clifftop rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act and a top-class replacement cast. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

The Pirates of Penzance (Drury Lane): Riotously vulgar Broadway import that sits Gilbert and Sullivan on a whoopee cushion. (836 8108).

NEW YORK

La Cage aux Folles (Palace): Perhaps this season's outstanding musical comes, like Evita and Cats before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best parts of the show are not the hoopla, apart from the first-act finale a la Gaite Parisienne, but the intimate moments borrowed direct from the film. (757 2626)

Night Mother (Golden): Marsha Norman's harrowing drama of a young woman's last hours before committing suicide in her mother's home makes for the intellectuals' form of sensationalism, with powerful acting by Kathy Bates and Anne Pitoniak, directed by Tom Moore. (239 6200).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

The Corn is Green (Lunt-Fontanne): Emlyn Williams' 1940 comedy about a middle-aged spinster who goes to Wales to start a school is the second offering of Elizabeth Taylor's new repertory company, which, without a role for Miss Taylor, has a cast led by Cicely Tyson, directed by Vivian Matalon. (575 9200).

Amadeus (Broadhurst): David Dukes stars as Salieri in the award-bedecked and elegant National Theatre production of Shaffer's hit. (247 0472).

Agnes of God (Music Box): The fiery trio of Geraldine Page, Diahann Carroll and Lily Knight enliven a somewhat over-written clash of ideologies. (246 4636).

Nine (46th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246).

Cats (Winter Garden): Director Trevor Nunn, fresh from the Broadway success of Nicholas Nickleby, has his imaginative and frisky cats slink, slide and dance their way across a transfigured stage in this lavish recreation of the London hit. (239 6262).

Extremities (West Side Arts, 43rd W. of 9th Av.): The realistic portrayal of sadistic rape, with which the play opens, makes for uncomfortable but rich drama, and author William Mastrosimone manages to maintain high energy levels to challenge an excellent cast. (541 8394).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscence now that the Nederlander organization generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

WASHINGTON

Wind in the Willows (Folger): Composer William Perry and lyricist Roger McGough chose a wonderful old chestnut to turn into a musical to add a new generation's appreciation of Ratty, Mole, Badger and Toad of Toad Hall. Ends Sept 18 (547 2230).

American Buffalo (Terrace): Al Pacino's humane and lively performance gives a wholly new and fresh look to David Mamet's bemused version of American low life with larceny in its heart, as directed by Arvin Brown of the Long Wharf Theater. Ends Sept 25. Kennedy Center (254 9895).

The Golden Age (Eisenhower): A. R. Gurney has built a swift reputation on a career of taking a gentle but not uncritical look at the White Anglo-Saxon Protestants who set the tone of American gentility without always subscribing to its precepts themselves. (254 3670)

Arts Week

F	S	Su	M	Tu	W	Th
16	17	18	19	20	21	22

Exhibitions

LONDON

The Hayward & Serpentine Galleries: The Sculpture Show – this year the Arts Council's Annual review of some particular aspect of contemporary British Art – takes new sculpture as its subject, with the personal selections of three invited jurors covering altogether the work of some 50 artists. But so wide and various is this field, that this is no definitive show: rather it is its very partiality which makes it so useful, bringing to the domestic public the work of a younger and ascendant generation that has already begun to attract considerable attention abroad. Ends Oct 9.

The National Gallery, Manet at Work: this year falls the centenary of Manet's death, which now, in the knowledge of the great old age achieved by his Impressionist contemporaries, whom he influenced so positively, seems so sadly premature. The great retrospective in Paris this summer clarified the nature and significance of his achievement. Here the National Gallery does not give us anything so comprehensive, but takes eight major works across the range of his career, and by simple scholarly exposition, shows us how he set about his business.

PARIS

Murillo in the Museums of France. In *one of its excellent didactic exhibitions* the Louvre has assembled, to mark the 300th anniversary of the artist's death, his paintings and drawings – among them the Young Beggar – from French public collections. Plans, photographs and engravings help us to situate the Sevillan artist in the context of his times. Closed Tue, ends October 24, Louvre, *Pavillon de Flore* (260 3926).

Exotic Flora and Fauna in art from the 17th century to the first half of the 20th century. Louvre des Antiquaires, 2 Place Palais Royal (297 2700), 11 am till 7 pm. Ends Sept 25.

Musée Marmottan, 2 rue Louis-Boilly: an important collection of paintings and drawings by Claude Monet and his friends, including the famous oil "Impression – Sunrise," which gave the name to the whole movement. Closed Mon.

WEST GERMANY

Hildesheim, Römer- und Pelizaeus-Museum, am Steine: The only German venue of Art Treasures from Ancient Nigeria with 100 exhibits bearing witness to the oldest African cultures from 500 BC to 1900 AD. Ends Oct 23.

Frankfurt, Kunstverein, 44 Markt: The first big exhibition of Markus Rätz with roughly 100 installations and drawings by the Swiss painter and object artist. Ends Sept 25.

Munich, *Haus der Kunst, 1 Prinzregentenstrasse:* the "Great Arts Exhibition – Munich 1983" has paintings, sculptures and graphics from the last two years by 500 artists living in West Germany. Ends Sept 18.

Nuremberg, Germanisches Nationalmuseum, 1 Kornmarkt: A documentation with 600 pictures and sculptures at the occasion of Martin Luther, the great reformer's 500th birthday. Ends Sept 25.

Berlin, Akademie der Künste, 10 Hanseatenweg: Suprematism, Russian style, is documented here with roughly 300 original designs. Manifestos, photos and paintings from between 1900 and 1917 by the painter Kasimir Malevith. The poet Alexander Krutshenych and the composer Mikhail Matyushin. Ends October 9. Also at the Akademie der Künste: a show of the work of Julio González (1876-1942), the Spanish sculptor, with 250 exhibits, among them pictures never shown before. Ends October 23.

Hamburg, Kunstverein, Glockengiesserwall: 120 drawings, water colours and gouaches from between 1881 and 1955 by *Fernand Leger*, the French master of Cubism. Ends October 16.

Hanover, Kunstmuseum, Kurt-Schwitters Platz: more than 100 paintings and coloured sheets from a northern German private collection by *Horst Antes*. Ends October 17.

Bottrop, Josef Albers Museum, 20 Im Stadtgarten: oil paintings, drawings and graphics by artists from the Brücke School of painting – among them Ernst Ludwig Kirchner, Max Pechstein and Erich Heckel. Ends October 16.

ITALY

Rome: Musei Capitolini, till end of September an exhibition of the restored Roman Empire period doll, including wardrobe and jewellery, "Crepereia Tryphaena" – a 2000-year-old lost treasure. At the Galleria Nazionale d'Arte Moderna till end September, Odone Rosai one-man show.

Venice: Palazzo Ducale, 7000 years of China exhibition. Ends Dec 31. Museo Correr: Titian's engravings on show. Palazzo delle Prigioni: exhibition of works by Massimo Campigli.

Florence: Palazzo Pitti: 100 paintings and collages from all over the world by Gino Severini on the centenary of his birth. Orzinuovi (a small town near Brescia) till Oct 16: exhibition of 170 paintings by Antonio Ligabue, 46 of which have never been exhibited previously.

Venice, Cantieri Navali alla Giudecca. Works by Burri. Ends Sept 30.

NEW YORK

Metropolitan Museum of Art: 75 works from the 20th century collection of Baron Thyssen-Bornemisza will include ten of his latest acquisitions. Featured in the show will be works by Kandinsky, Picasso, Gris, Dali, Bacon, Freud and Rothko. The recent acquisitions are works by Georgia O'Keeffe, Balthus, Mondrian, Picasso and Natalia Goncharova. Ends Nov 27.

Pierpont Morgan Library: Drawings of fourteenth- to eighteenth-century Italian masters include a large number of sketches for paintings by Canaletto, Piranesi, Titian and Tintoretto. The drawings show off the draftsmanship of the painters and the development of their compositions from these preliminary but evocative works. Ends Nov 13.

Cantor Sculpture Centre: Set against a spectacular view of New York atop the World Trade Tower, 35 Rodin sculptures are displayed in the enlargements and reductions carried out by Rodin collaborator and reproducer, Henri Lebosse. One World Trade Center, 105th storey.

Henry Moore (Metropolitan Museum of Art): The first major retrospective in America for nearly 40 years includes drawing, carving in wood and stone as well as sculptures large and small in one of the highpoints of the Britain Salutes New York celebration. Ends Sept 25.

WASHINGTON

National Gallery: With the recent death of American art patron, John Hay Whitney, his outstanding collection of French impressionists and their successors is on view before dispersal to various museums. Ends October 2.

CHICAGO

Art Institute: 237 works from the Vatican Collection show the range of religious and secular art that Popes collected as important patrons to both artists and archaeologists. Compared to what can be seen in Rome, the travelling exhibit may seem meagre but at the same time, major works like the Apollo Belvedere and Caravaggio's The Deposition can be better highlighted in this carefully chosen and well-groomed selection. Ends Oct 16.

BRUSSELS

Old Chinese Costumes and Embroidery: Musée Royale d'Art et Histoire. Ends Oct 2.

Utrillo Centenary Exhibition: Musée St George, Liège. Ends Oct 16.

James Ensor: Koninklijk Museum, Antwerp. Ends Oct 30.

Music

LONDON

Carlo Maria Giulini returns to London this week to conduct the Philharmonia Orchestra in Bruckner's 8th Symphony (Sun, Wed). Royal Festival Hall (928 3641).

Jorge Bolet: Brahms, Rachmaninov, Liszt. Elizabeth Hall, Sunday. (928 3641).

London Philharmonic Orchestra, conductor Klaus Tennstedt: Linda Esther Grow, Anne Sofie von Otter, Eberhard Buchner and Robert Lloyd in two performances of Beethoven Symphonies Nos 8 and 9 (Mon, Tues). Royal Festival Hall (928 3641).

London Symphony Orchestra, conductor Richard Hickox: Brahms, Vaughan Williams, and soloist Michael Roll playing Greig's Piano Concerto (Tue). Barbican Hall (638 8891).

The Fires of London, conductor Nicholas Cleobury: Maxwell Davies, and a first performance of Robert Kyr's "Maelstrom". Elizabeth Hall (Wed) (928 3641).

Michael Pouti, piano: Schumann, Rachmaninov, Chopin and Liszt. Elizabeth Hall (Thur) (928 3641).

Chicago Symphony on tour

Chicago Symphony's tradition of beginning the season by performing round Illinois is being extended this year to cover Texas as well as its home territory. Under the direction of guest conductor Garcia Navarro, the orchestra will perform works by Dvorak, Ravel, Strauss, Tchaikovsky and Roy Harris in venues ranging from Decatur (Monday) to College Station, Texas (Thur). Also in the tour will be Austin (Wednesday) and a final weekend (Sept 23 and 24) in Lubbock and San Antonio. The Spanish-born maestro has conducted with the Chicago Symphony since 1980, having been music director of the Valencia Symphony and the San Carlos Opera, with the Salzburg Festival included in his busy itinerary at the end of this season.

PARIS

Paul Küntz Choir and Orchestra with Monique Frasca-Colombier, Violin, Sophie Küntz, Violin, Michel Giboureau, oboe: Bach's Violin Concertos (Tue 9pm) Saint-Severin Church (563 7480).

Israeli Philharmonic Orchestra conducted by Zubin Mehta with Schlomo Mintz, violin, in a gala concert in profit of cancer research: Beethoven: Overture No 3 "Leonora", Violin Concerto, Symphony No 7 (Tue 8.30pm) Théâtre des Champs Elysées (723 4777).

Israeli Philharmonic Orchestra conducted by Zubin Mehta: Mozart, Berg, Brahms (Wed 8.30pm) TMP-Châtelet (261 1983).

Orchestre de l'Ile de France conducted by Alexandre Myrat in the finals of the Composers Competition (Tue) Espace Cardin, Ave Marigny (Festival Estival) (271 5700).

Danish Radio's Symphony Orchestra and Choir conducted by Michel Corboz: Mendelssohn's "Elias" (Tue) St Germain-des-Prés church (Festival Estival) (271 5700).

Paul Küntz Choir and Orchestra: Vivaldi Concertos for rare instruments (Tue) St-Severin church (563 7480).

Paris Chamber Music Festival: J.S. Bach; 4 sonatas for violin and harpsichord, (Mon) Musée Carnavalet, 23 rue Sevigne.

Franz Liszt: Pascal Le Corre, piano (Tue) Musée Carnavalet, Vivaldi; Ensemble des Archets Baroques de Paris and flutes (Wed) Billettes church, 24 rue des Archives.

NEW YORK

New York Philharmonic (Avery Fisher Hall): Rafael Kubelik conducting. Schumann, Beethoven (Tue); Kubelik conducting, André Watts piano: All-Beethoven programme (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting, Eugene Istomin piano. Rachmaninoff, Shostakovich (Tue, Wed, Thur). Kennedy Center (254 3776).

BRUSSELS

Palais des Beaux Arts: National Opera Symphony Orchestra conducted by Sylvain Cambreling: Schumann, Tchaikovsky (Sun). Belgian National Orchestra conducted by Mendi Rodan; Ravel, Rachmaninov, Hindemith. (Thur).

Cinema/Nigel Andrews

The lessons of the French Revolution

Danton (PG)
Chelsea Cinema, King's Road
Psycho 2 (15)
Plaza
Yellowbeard (PG)
ABC Shaftesbury Avenue and Classic Oxford Street from 22 September
Man, Woman and Child (PG)
Classic Haymarket, Classic Oxford Street
Heaven's Gate (18)
Plaza 2

Gerard Depardieu as Danton

Gerard Depardieu stares out of the poster for Andrzej Wajda's *Danton* with a hand flying up and a halo of exploding hair as if he has just been plugged into the electrical mains.

And electrification is just what director Wajda and actor Depardieu achieve with French revolutionary history in this film. Fiery artistic souls have dabbled in the Paris of tumbrils *and tricouleurs before: from C.* Dickens to G. Buechner to A. Gance. But there's never been a dramatisation of the Danton-Robespierre conflict that more galvanically lived out of the passions of the mind.

Scripted by Jean-Claude Carriere (Bunuel's ex-collaborator) from a Polish play by Stanislawa Prsybyszewska, the film whisks us from the early stirrings of schism between Danton the "counter-revolutionary" liberal (Depardieu) and the party-line tyrant Robespierre (Wojciech Pszoniak) to Danton's arrest, trial and death on the guillotine.

Wajda has shot it in a vivid swirl of motion—of both characters and camera—and in bleached neo-classical colours like the paintings of Jacques-Louis David: (who appears in the film first painting an official portrait of an impatient Robespierre, later sketching doomed Danton in his tumbril). The camera is at close human range throughout, but Danton never becomes merely a "talking heads" film. The faces are lit with meteorological variety like landscapes in motion. Depardieu's craggy, restless contours are a Grand Canyon passed over by flickering clouds. Pszoniak's Robespierre is a marble-white martinet in one scene, in another a bedrid invalid with a face the texture of perspiring Camembert.

Wajda has thrice-and-more refused the crown of allegorical ingenuity. He firmly denies that Danton stands for Lech Walesa and Robespierre for Jaruzelski. But then unlike us he has to live in Poland. The analogy with his own country stands up and begs to be made. The film argues that cruelty and oppression thrive once a nation puts individual freedom below abstract notions of the "national good;" that the machinery for liberation in an egalitarian society can soon turn into the machinery of tyranny; that a government "above the law" is a government that has destroyed the law.

But the marvel of *Danton* is that instead of pamphleteering grandly from the skies, it reaches down to Earth and humanises both parties. Depardieu is a tragicomic, wild-haired ranter whose voice gets raw to vanishing point as he filibusters the People's Tribunal for his acquittal. Pszoniak resembles a snowman dressed for a coronation. But he too takes on the white-hot authenticity of passion in the Assembly scene where he sways a whole chamber from Danton's side to his own.

And the final scene of Robespierre's sheeted despair in his bedroom after Danton's execution (as his housekeeper leads her little brother to the bedside, to recite with unwitting irony his homework-learned Rubrics of the Constitution) takes a tin-opener to a man's soul and watches it wince at every turn.

Elsewhere, only a film sure of its tone and purpose could get away with imagery of rampant rhetoric, like the camera purring down with the guillotine blade past chopped head, bloody basket, into blood-drenched straw. Or with scenes of near slapstick like Danton's strategic dinner party for Robespierre. Our host clucks and coos blandishments over the sumptuous plates of fish, quail, vol-au-vent, and then, when his guest declines each and all, coolly brushes them on to the floor and sits down to the conversational business of the evening.

A brilliantly accomplished supporting cast—Patrice Chereau, Angela Winkler, Boguslaw Linda and Roger Planchon (as a steely, implacable Public Prosecutor)—lend weight and depth to what is probably Wajda's best ever film.

*

Psycho 2 is made of more perishable stuff. It revisits the Bates Motel where, if you remember, it was much better to stand up and wash at the basin than attempt any more elaborate ablutions. Norman (Anthony Perkins) has now *returned from his 22 years* at a mental institution, and he will resume normal business at the motel as soon as he has killed the incumbent manager.

The Gothic house still stands on the hill like a blackened tooth. Peeping Tom eyeholes still dot the walls behind every painting or stuffed bird. And "Mother" is back, Heaven help us, leaving such helpful notes for Norman as "Your dinner is in the oven" or "Get rid of that slut of a girl."

The said slut is a mysterious hitch-hiker (Meg Tilley) who cosies up to Norman in a diner and insists on coming *along with him to stay in the* big house. Why? Perhaps because she is connected with Vera Miles, who is also back and rooting as the knifed Janet Leigh's vengeful sister. The two women wonder, will a blunt spade or a poisoned cup of coffee be most effective in removing Norman from the list of America's licensed motel-keepers?

Australian director Richard Franklyn gouges some perfunctory giggles and intermittent gasps from this otiose project. And the scarce-aging Perkins still makes a lanky, colourful, invertebrate nutter. But the movie is so trivial that it vanishes from the mind as soon as the last shower-tap is turned off. Sir Alfred Hitchcock need not even turn in his grave to protest: *Psycho*, though old enough to be its mother, will outlive *Psycho 2* by many generations.

*

Yellowbeard is pirate romp with a cast of comics long and accomplished enough to shiver your timbers. Graham Chapman, Cheech and Chong, Peter Cook, Marty Feldman, Eric Idle, John Cleese, Spike Milligan; plus James Mason, Peter Boyle, Beryl Reid and Michael Hordern.

But one's timbers remain obstinately unshivered. The script is the chief offender. Penned by Chapman, Cook and Bernard McKenna, it spends 96 minutes shuttling inexorably between ill-timed visual gags and ill-turned verbal ones. Beryl Reid alone survives unscathed, walking off with the film in a fruity-genteel cameo as "Lady Lambourn." "Lambourn," she gurgles to her husband in a sample outcry, as they tour the ancestral shrubberies, "Stop that man pissin' on the 'edge."

Elsewhere the film is a fearful cassoulet of cutlasses and crocodiles, press-gangs and peg-legs, heave-hoes and hearties, Blind Pews and blue pums; as if the makers had found nothing better to do than take out all the index-cards filed under P for Piracy and draw moustaches and funny faces on them.

*

What they should have done is draw moustaches on *Man, Woman and Child*. Erich (*Love Story*) Segal wrote and Dick (*Farewell, My Lovely*) Richards directed this plangent tale of a married university teacher (Martin Sheen) whose son by a 10-year-old affair with a French doctor suddenly appears on his American doorstep, much to Sheen's consternation and his wife Blythe Danner's chagrin. But soon the little moppet wins both their hearts.

The film's intention is no doubt to send Kleenex sales soaring in a two-mile radius around the cinema. But the only way this could happen is if everyone arrived with a bad cold. The child has an unnerving resemblance to ET and an even more unnerving French accent. "Berb," he says to Bob (Sheen), whom he is not yet fully aware is his real father. "Do you know who is my real fuzzair?"

*

The full-length *Heaven's Gate*, after many recent huzzahs at the National Film Theatre, opens in the West End this week. Do not miss one of the great American films of all time.

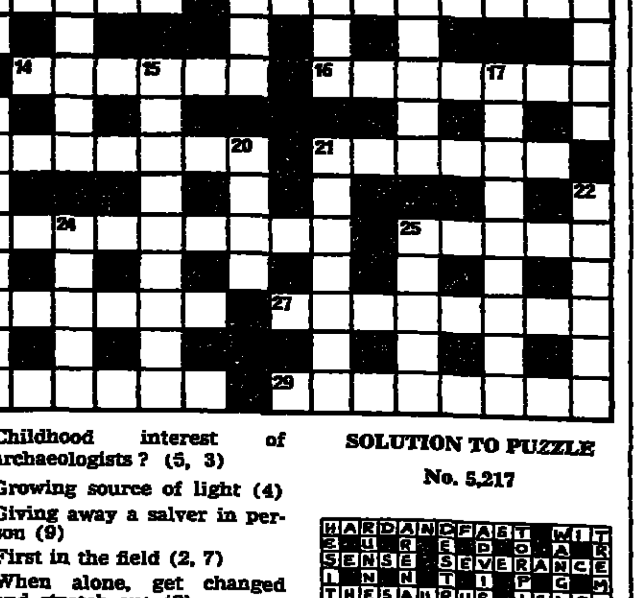
Contemporary music at the Bloomsbury Theatre

The Bloomsbury Theatre, Gordon Street, WC1, is promoting an autumn subscription series of five concerts of contemporary music starting on October 5 with the English Gamelan Orchestra in a programme of traditional Javanese and new Western music.

Each concert comes at the start of a national tour organised by the Arts Council's Contemporary Music Network. This is the first series of Contemporary Music Network concerts to be held at the Bloomsbury Theatre following the closure of the Round House, which was the Network's London venue.

The other four concerts will be given by the Mike Gibbs Band, which includes Tony Coe (saxophone), Steve Swallow (bass) and Palle Mikkelborg (trumpet) in a 12-piece line-up (November 2); the Nash Ensemble (November 9); a double bill of the free-improvising trios, Evidence from East Germany, making their first appearance here, and Iskra 1903 (November 30); the West Square Electronic Music Ensemble (December 7).

F.T. CROSSWORD PUZZLE No. 5,218



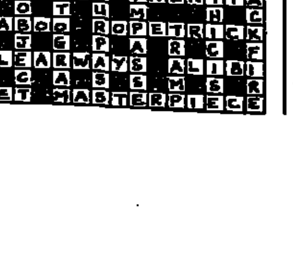
ACROSS

1 Bridge champion gets a hiding (8)
5 Pick out a record (6)
9 Talk with others having an *opposite view?* (8)
10 I'm not one to weaken (6)
12 Supporter of the school board (5)
13 Only a rude sort of song and dance (9)
14 Going round the world is a smashing opportunity for a girl to take in (6)
16 Direction for making a machine part (7)
19 Infantile habits (7)
21 Hole at the front (6)
23 Broken rule again leads to pain (9)
25 Play time (5)
26 Country song about a sailor (6)
27 Serious 9 across (8)
28 Issue Oriental blend (6)
29 A literary supplement? (8)

DOWN

1 Holy piece of land in Scotland's borders (6)
2 Shy relative (4, 5)
3 Get *down to making a proposal?* (5)
4 A snuff-taker (7)
6 I'm to intersede without delay (9)
7 A girl in distress sought by Parsibal (5)
8 Childhood interest of archaeologists? (5, 3)
11 Growing source of light (4)
15 Giving away a salver in person (9)
17 First in the field (2, 7)
18 When alone, get changed and stretch out (8)
20 Extremely nervous? (4)
21 Dogged, but couldn't keep up with the others (7)
22 Two cats get beaten (6)
24 A custom among unscrupulous agents (5)
25 Bravely built shelter (5)

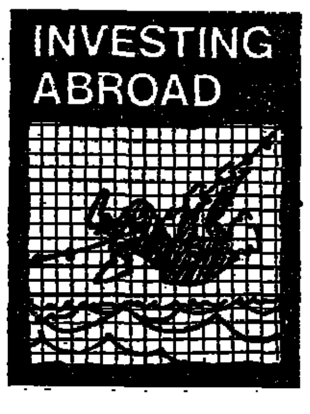
SOLUTION TO PUZZLE No. 5,217



INTERNATIONAL INVESTMENT

Courtaulds bucks a British trend in South Africa

By Bernard Simon in Johannesburg



AGAINST A background of political uncertainty, a number of foreign companies have chosen in the past few years to reduce or terminate their exposure in South Africa. They include British groups such as DRG, Caravans International, Prudential Assurance, Associated British Foods and, most recently, Metal Box.

The exodus has accelerated this year as a result of high stock market prices and exchange control relaxation.

" Politics is by no means the only factor "

Most have cited commercial reasons for running down their investments, but there is little doubt that in many cases the decision has been made more clearcut by developments such as the unrest in black urban areas during the late 1970s and, now, the spectre of urban terrorism.

One remarkable exception to the spate of withdrawals is Courtaulds, the British textile and consumer products group, which has not only shrugged off South Africa's murky political future, but is preparing to increase its already heavy dependence on this part of the world.

"The political element is obviously a factor, but it is by no means the only one," says Mr Peter Dell, managing director of South African Industrial Cellulose Corporation (Saiccor), Courtaulds' biggest South African subsidiary. Saiccor produces about 10 per cent of the non-Communist world's dissolving pulp, used as a feedstock for cellulose fibres and ethers, and cellophane.

Like many other foreign investors, Courtaulds prefers not to publicise its activities in South Africa. Mr Mike van Breda, managing director of Courtaulds Fibres SA, a distributor of yarns imported from group companies in other parts of the world, observes that " we have a very low profile. We don't feel the need to highlight our involvement."

Besides Saiccor and Courtaulds Fibres, the group's South African interests include paint manufacture, a warp and weft knitting factory, a cellulose film converter and distributor, and two companies in Cape Town which make foundation garments and swimwear.

Saiccor owns 56,000 hectares of wattle and eucalyptus plantations in Natal, which supply 60 per cent of the 1.25m tons of timber used each year by its mill at Umkomaas, 30 miles south of Durban.

In addition, Courtaulds has a half-share (with the Commonwealth Development Corporation) in the Usutu pulp company, a large timber and pulp producer in Swaziland. Negotiations to sell Usutu to Monoi, a South African pulp and paper group, fell through early last year.

These substantial investments are given barely a mention in Courtaulds' annual reports. No details are disclosed of their contribution to group income.

But there is little doubt of their importance both in financial terms and, particularly in the case of Saiccor, as a source of raw materials.

" Saiccor is one of the jewels in Courtaulds' crown," says the chief executive of one of South Africa's largest forest product companies. It is a major contributor to the profits of Courtaulds' yarns and fibres division.

" Saiccor is one of the jewels in Courtaulds' crown "

Mr Dell concedes that the group's reliance on the good quality pulp produced by Saiccor is "very high." But, he adds, "it is very high by choice, not by necessity."

Advantages of operating in South Africa, in Courtaulds' case, include the short growing time for trees (about half as long as in the colder Northern hemisphere), relatively low electricity costs and simple effluent disposal.

Labour costs are lower than in many other countries but, according to a black worker at Saiccor's plant, the company pays more than most others in the vicinity. The only strike in recent years has been in protest against Government plans for compulsory transferability of pensions — a proposal which caused industrial unrest throughout the country.

Courtaulds is currently putting the finishing touches to a major expansion of Saiccor's capacity, as well as other new investments in South Africa.

Saiccor's output this year will be slightly more than 400,000 tons, thereby continuing its enviable record of raising production every year since it started operations in 1956. Two-thirds of the pulp is shipped to Courtaulds companies in Europe and North America, and the rest to outside customers in Europe (including Scandinavia), South America and the Far East.

Saiccor's foreign sales total over R100m (£60m) a year, making it one of South Africa's largest industrial exporters.

The expansion is likely to raise capacity to around ½m tons a year and will make Courtaulds even more dependent on South Africa for one of its key raw materials.

In addition, the group recently established a new subsidiary, Courtaulds Automotive Products, to manufacture upholstery for the motor industry. These items were previously imported from Britain, but South Africa's local content regulations forced Courtaulds either to start domestic manufacture or face a loss of market share.

The size of Courtaulds' operations and Saiccor's impressive export record have given the group some leverage with the South African Government. " We use it as a strength when discussing propositions," says Mr Dell. For example, before going ahead with its expansion plans at Umkomaas, Saiccor will probably ask for a generous helping of the benefits the Government offers to companies which decentralise from urban areas near to black homelands. Umkomaas lies close to parts of the Kwazulu tribal homeland.

The state-controlled Industrial Development Corporation (IDC) is a minority shareholder in Saiccor (Courtaulds has a 66 per cent stake). As many other industrialists have found, the IDC wields considerable influence. Mr Dell says that " they're indispensable from the point of view of South African interest and knowledge."

Surprisingly, it is economic—rather than political—factors which at present cast the longest shadow over Courtaulds' continuing commitment to South Africa.

The country's stubbornly high inflation rate—still around 14 per cent—is denting the competitiveness of many exporters. The steepest price rises have been for items which make up a large slice of industry's costs, such as coal, electricity and transport. To make matters worse, the Reserve Bank has been holding up the value of the Rand in an effort to prevent a rising gold price from swamping the economy in liquidity.

The high inflation rate is denting competitiveness

According to Mr Dell, if the country goes on with this gap between its inflation rate and that of its competitors, it will rapidly lose its advantage.

Investing Abroad is an occasional series on the overseas operations of British companies.

APPOINTMENTS

Managing director for MEL

MEL, a company which specialises in electronic systems for defence and medical use, has appointed Mr R. J. Scott as managing director from October 1. Mr Brian Manley has been acting as MD during 1983 and will retain responsibility for MEL on the Philips UK board. Mr Scott joins from Marconi Radar Systems, where he was director and general manager.

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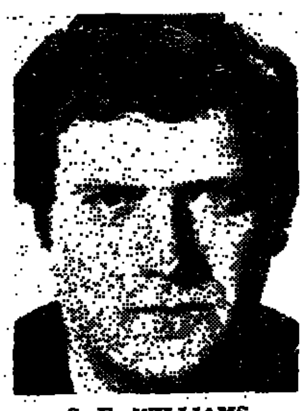

S. E. WILLIAMS

Mr Stanley E. Williams has been appointed managing director of CHIVERS HARTLEY. He was divisional personnel director for Cadbury Typhoo.

*

Lord Bancroft has been elected a director of GRINDLAYS BANK. He retired as head of the Home Civil Service in December 1981. Among other appointments, Lord Bancroft is a director of Bass and Rugby Portland Cement.

*

Mr Ralph D. Hillman has been appointed managing director of THOMSON DIRECTORIES, a joint venture of the International Thomson Organisation, and the Dun & Bradstreet Corp. Mr Hillman, an assistant vice-president of Reuben H. Donnelley, takes up his appointment on September 19.

*

Mr Alexander F. Hampshire has been elected vice-president and general manager of AVCO TRUST. He joined Avco in 1973 from Citibank. He was vice-president/operations in charge of the UK's 90 branches.

*

Mr Pat Jackson has been appointed regional director for the south eastern region of AMEY ROADSTONE CORP. from October 1. He has been the region's commercial director for five years, and succeeds Mr David Tidmarsh, who is leaving the company.

*

Mr A. W. Lumsden and Mr R. Christie have joined the board of SCOTTISH & UNIVERSAL NEWSPAPERS.

*

Mr Michael Townsend has been appointed managing director of packaging and food service company SWEETHEART INTERNATIONAL, Gosport. He was formerly purchasing controller of Express Dairy UK.

*

Mr J. G. D. Ferguson and Mr E. A. W. Tulloch have been appointed to the newly created posts of joint managing directors of STEWART FUND MANAGERS. Based in Edinburgh, the company is manager of The Scottish American Investment Co., Stewart Enterprise Investment Co., the Stewart Group of Unit Trusts and other funds.

*

Mr Sydney H. Jeal has been appointed a director and general manager of AE TRUCK AND TRAILER COMPONENTS. He joins from Partco, a Quinton Hazel distribution company, where he was operations director.

*

GUILDWAY, Guildford, has appointed Mr Simon Oppenheimer as managing director. He takes over from the founder, Major James More-Molyneux, who remains chairman. Mr Oppenheimer has been managing director for the past 15 years of Spaulding Russell and Vulcanised Fibre.

*

BRIGHTSTAR COMMUNICATIONS, a new company formed this month by Visnews and Western Union Telegraph, has appointed as directors Mr Brian Quinn (managing director, Visnews), Mr Peter Marshall (general manager, Visnews), Mr Norman Bull (company secretary and financial controller, Visnews) as secretary, Mr Philip Schneider (vice-president government, international and satellite systems, Western Union), Mr William Brook (assistant vice-president satellite planning and services, Western Union), and Mr Douglas Lloyd (vice-president worldwide services development, Western Union).

*

At HICKING PENTECOST Mr John R. Tattersall, a non-executive director, has been appointed deputy chairman.

BASE LENDING RATES

A.B.N. Bank	9½%	■ Hambros Bank	9½%
Al Baraka International	9½%	Heritable & Gen. Trust	9½%
Allied Irish Bank	9½%	■ Hill Samuel §	9½%
Amro Bank	9½%	C. Hoare & Co. †	9½%
Henry Ansbacher	9½%	Hongkong & Shanghai	9½%
Arbuthnot Latham	9½%	Kingsnorth Trust Ltd.	11 %
Armco Trust Ltd.	9½%	Knowsley & Co. Ltd.	10 %
Associates Cap. Corp.	9½%	Lloyds Bank	9½%
Banco de Bilbao	9½%	Mallinhall Limited	9½%
Bank Hapoalim BM	9½%	Edward Manson & Co.	10½%
BCCI	9½%	Midland Bank	9½%
Bank of Ireland	9½%	■ Morgan Grenfell	9½%
Bank Leumi (UK) plc	9½%	National Bk. of Kuwait	9½%
Bank of Cyprus	9½%	National Girobank	9½%
Bank of Scotland Ω	9½%	National Westminster	9½%
Banque Belge Ltd.	9½%	Norwich Gen. Tst.	9½%
Banque du Rhone	10½%	P. S. Refson & Co.	9½%
Barclays Bank	9½%	Roxburghe Guarantee	10 %
Beneficial Trust Ltd.	10½%	Royal Trust Co. Canada	9½%
Bremar Holdings Ltd.	9½%	Standard Chartered ‖	9½%
Brit. Bank of Mid. East	9½%	Trade Dev. Bank	9½%
■ Brown Shipley	10 %	TCB	9½%
CL Bank Nederland	9½%	Trustee Savings Bank	9½%
Canada Perm't. Trust	10½%	United Bank of Kuwait	9½%
Castle Court Trust Ltd.	10 %	United Mizrahi Bank	9½%
Cayzer Ltd.	9½%	Volkskas Intnl. Ltd.	9½%
Cedar Holdings	10 %	Westpac Banking Corp.	9½%
■ Charterhouse Japhet	9½%	Whiteway Laidlaw	10 %
Choulartons	10½%	Williams & Glyn's	9½%
Citibank Savings ¶	10½%	Wintrust Secs. Ltd.	9½%
Clydesdale Bank	9½%	Yorkshire Bank	9½%
C. E. Coates	10 %		
Comm. Bk. of N. East	9½%		
Consolidated Credits	9½%		
Co-operative Bank *	9½%		
The Cyprus Popular Bk.	9½%		
Duncan Lawrie	9½%		
E. T. Trust	10 %		
Exeter Trust Ltd.	10½%		
First Nat. Fin. Corp.	11½%		
First Nat. Secs. Ltd.	11½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9½%		
■ Guinness Mahon	9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6%. 1-month 8.25%. Short-term £8,000/12-months 8.6%.
† 7-day deposits on sums of: under £10,000 6%. £10,000 up to £50,000 7%. £50,000 and over 8%.
‡ Call deposits £1,000 and over 6%.
‖ 21-day deposits over £7,000 7%.
§ Demand deposits 6%.
¶ Mortgage base rate.
Ω Money Market Cheque Account—9.15%. Effective annual rate—9.54%.

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Realism in pensions

BRITAIN'S private occupational pensions structure, though undeniably sophisticated, suffers from one overwhelming defect: it cannot operate properly except in periods of relatively stable prices.

Because of this oversight in design, a period of high inflation in the 1970s has left a legacy of discontent. In the private sector many pensioners have seen their retirement incomes cut in real terms, while redundant employees and job changers have found themselves receiving substantially reduced benefits compared with those who remain in the same employment. Yet the flaw in the structure means that any attempt to improve the victims' lot is unlikely to be wholly satisfactory.

The latest move by the Social Services Secretary, Mr Norman Fowler, to remedy the discrimination against the redundant and the mobile is bound to be seen as a second-best solution. But it nonetheless represents an important step in a useful direction. Having earlier urged voluntary action to improve the benefits of so-called early leavers, he has now accepted—as have most others bar the Confederation of British Industry—that voluntarism has failed. Legislation is expected to follow the recommendations of the Occupational Pensions Board which would involve increasing frozen pension rights in line with the rise in average earnings up to a ceiling of 5 per cent.

Index-linking

This is not to be sniffed at when the rate of inflation has fallen sharply; and for the lower paid in particular, the state scheme will provide increasing protection between now and 1998. But the ceiling on the revaluation is arbitrary and the overall protection incomplete. Private-sector employees will still find themselves at a disadvantage to those in the public sector—and some may find themselves footing part of the bill.

This may, paradoxically, have more to commend it than meets the eye. One aspect of the design flaw in the system is precisely that it encourages unrealistic expectations: British industry cannot afford to pay everyone a pension based on two thirds of final salary for a full working life. So there is much to be said for aiming over time to offer honest pension benefits in real money, whose cost is more equitably and realistically shared between different categories of beneficiary. Our preference, in the short term, would indeed be for legislation requiring frozen pensions to be index-linked, which would force some renegotiation of benefit scales.

With many funds now accumulating substantial surpluses, this would be less painful for the corporate sector than might at first appear (and by the same token the OPB solution would be even less painful). Many employers would be hostile and the Government itself may be reluctant to concede the principle when it is still hankering to reduce index-linked benefits in the public sector.

In the longer run it is important that the problem of maintaining the value of pensions in payment should not be neglected; it would be particularly unfortunate if deferred pensions were improved at their expense. While ideas for personalised transferable pensions have made little headway, the Government should note that proponents of individual money purchase schemes, where the return is related not to a pension scheme promise but to investment performance, have identified genuine weaknesses in the status quo.

Some element of compulsion in saving for retirement is essential. Compulsion becomes harder to defend when private-sector employees who find pension scheme as a condition of employment have little choice in benefits, little effective say in investment policy and little control over the risks run by the fund.

While pensions experts attack money purchase on the ground that it involves foregoing a guarantee, few pension funds actually offer a genuine guarantee; and despite the trappings of trust law, both pensions consultants and companies still talk as though the pension fund belonged to the employer. It was thus encouraging that Mr Fowler indicated at his pension conference this week that legislation may be on the cards to clarify the respective roles of employer, trustee and employee. A hint of equity is surfacing at last — and no more than one front.

The host who will not pay

BECAUSE the U.S. was the driving force behind the creation of the World Bank and the International Monetary Fund it is understandable that the joint annual meeting of the two institutions should take place in Washington every second year. In 1983 this gathering of bankers, central bankers and Finance Ministers will be overhung with irony. Washington is the host, but it is Washington that is holding up the funding of the two institutions.

For the soundness of the world economy it is the funding of the IMF that has to be completed most urgently. The recent annual report of the fund described how it was only due to concerted action, led by the IMF, that the threat of a "cessation of financing" and of a "disorderly contraction of world demand" was averted. This effort boosted the fund's new lending last year by 50 per cent over the previous year and took the IMF to the limit of its existing resources. Indeed, the fund will not be able to honour its present financial commitments without the increase in fund quotas agreed by Western governments at the beginning of the year, but still not ratified by the U.S. Congress.

A general feeling that Congress would have its say but finally pass the IMF quota increase is now giving way to mounting fear that the necessary consensus in Congress will never be forthcoming because of a variety of conflicting emotions. There are those who feel that the U.S. tax-payer's money would be better spent in the U.S. There are those who are opposed to the IMF helping U.S. banks that lent too freely to developing countries. There are those who are opposed to IMF loans to Communist countries.

System intact

None of these inconsistent arguments can outweigh the fact that the IMF's combination of finance and enforced economic adjustment has so far held the world credit system intact through an unprecedented clash between disinflation and excessive indebtedness. The IMF needs more funds to hold the ring until the credit system becomes self-sustaining again. This means that the Reagan Administration must come off the fence about the IMF and use its amply-proven powers to carry the Congress in the matter.

The hold-up over the funding of the IDA, the soft loan arm of the World Bank, may be a smaller matter in the grand scheme of things but it is a good deal more reprehensible. The World Bank's annual report is eloquent on the problems the smaller nations have been facing in recession and in the shadow of a debt crisis that has not really concerned them. Yet to keep the IDA funds flowing to them at this moment, the World Bank has had to resort to hand-to-mouth funding tactics. These have involved compromising one of the best features of such multilateral aid that it is geared to projects sensible for the recipient and not to the desire of the donor to boost his exports.

Because the IDA provides multilateral aid it has few allies in the White House. The Reagan Administration prefers countries to seek and use finance on commercial terms or to encourage inward investment. Certainly inward investment into developing countries needs to be encouraged more actively: the World Bank has a private investment arm but could be firmer with borrowers in this matter. As for commercial finance, surely the last 18 months have exposed some of the shortcomings of this approach. And the Administration cannot ignore the results of the study which it commissioned itself from the U.S. Treasury last year. This concluded that the IDA had been "particularly effective in advancing U.S. humanitarian interests" and that Multilateral Development Banks had "served U.S. commercial interests well."

To provide the IDA with an acceptable seventh "replenishment" would involve the U.S. in an annual outlay of $1.3bn. Such a sum is dwarfed by the U.S. annual budget deficit of $220bn and by its defence spending of the same order. President Reagan is understandably preoccupied with other issues at the moment—the Lebanon, the arms talks with the Soviet Union, Central America. He needs a foreign policy success. Yet an inexpensive foreign relations coup is lying at his fingertips.

SWEDISH INDUSTRY

Mr Palme's red rag

By Kevin Done and David Brown in Stockholm

Caught in an ideological commitment, Prime Minister Olaf Palme (left); a perfunctory response from Conservative Party leader Ulf Adelsohn (right); while leading industrialists like Hans Werthen, chairman of Electrolux (centre) are taking to the streets

THE invitation issued by Mr Olof Palme, Sweden's Prime Minister, was like a red rag to a bull. Leaders of the country's business community and the opposition political parties have been invited to Rosenbad, site of an elegant former bathing house and now the Prime Minister's office in the centre of Stockholm, to start a series of summit meetings on pulling the Swedish economy out of crisis.

Mr Palme's invitation made plain, however, that talks were to concentrate on the Social Democrats' controversial plans to introduce so-called wage earner funds, a scheme aimed at giving the trades unions a bigger influence in industrial decision-making based on direct shareholdings financed from company profits.

The response was predictably swift. The Prime Minister has been snubbed by all five organisations representing the employers, industry, small and medium-sized companies and retailers. The opposition parties have agreed to put in an appearance, but as Mr Ulf Adelsohn, leader of the Swedish Conservative Party, Moderata Samlingspartiet, made clear, he would attend briefly "only out of courtesy."

Instead business is taking to the streets. On October 4, the day of the ceremonial opening of Parliament, figures like Hans

'Companies would be paying for their own socialism'

Werthen, chairman of Electrolux, Sweden's largest industrial employer, Curt Nicolin, chairman of Asea, Lennart Johansson, chief executive of SKF and Antonia Johnson Mörner, chairman of A. Johnson part of the Axel Johnson shipping and industrial group, Sweden's third biggest industrial corporation, will lead tens of thousands of the country's businessmen, industrialists, traders and entrepreneurs through the streets of Stockholm in a protest march on Parliament.

With unveiled hostility the business community sees plans for trade union-controlled investment funds as a further step on the road to socialism. "Companies would be paying for their own socialisation," asserts Mr Olof Ljungren, head of SAF, the Swedish Employers Federation.

Perversely perhaps investors appear so far to be taking a rather more relaxed view of the proceedings. Money has been pouring into Swedish shares from abroad all year in unprecedented fashion and for a third year in a row the Stockholm stock exchange is breaking all records, buoyed up by reports of booming company profits.

It is still not exactly clear what form the wage earner funds will take, but they are proving to be the most divisive political issue in Sweden since the protracted debate on nuclear power at the end of the 1970s. They have been under debate for at least eight years, but a pledge to introduce wage earners funds was finally made an integral part of the Social Democrats' election programme a year ago.

The Government is now in an uncomfortable dilemma, caught between an ideological and political commitment to the funds and their trade union supporters on the one hand, *and on the other a dependence* on the export-intensive Swedish industries, which are fiercely opposed to the funds but which are supposed to be the vehicle for economic recovery.

During the summer three Government appointed working parties have produced studies, which are expected to be the basis for legislation that could be introduced before the end of the year. The first wage earner funds could therefore be established during 1984.

There would be five regionally-based funds, each with a ceiling of SKr 400m (£33.9m) a year on the amount of money it could receive, meaning a maximum of SKr 2bn a year for the whole wage earner scheme.

The working party led by Mr Per-Olof Edin, a political appointee in the Finance Ministry, suggested the programme should run initially up to the end of 1990. By then the funds could have collected a maximum of SKr 14bn. The funds could gradually purchase a holding in the region of 5-7 per cent in the publicly-quoted Swedish companies whose stock exchange value today is around SKr 200bn.

The Government would *appoint the boards and both* chairman and vice-chairman. Five of the nine members would represent labour interests. Earlier ideas included suggestions for direct elections by the populace.

The Edin working party, which is expected to be followed by the Government, says:

- The funds should be financed by a 20 per cent profit-sharing tax (a levy on what is defined as companies' "real profits," which would take account of factors such as inflation and allocations to investment reserves) and by an increase in the employers' payroll tax.
- The funds should invest in Swedish companies, the basic aim being to improve the supply of venture capital for the benefit of Swedish production and employment.
- If local trade unions so request, the funds should transfer 50 per cent of their voting rights for their shareholding in the company to the unions.
- The five funds together with the National Pension Insurance Fund should not be allowed to hold more than 49 per cent in any single corporation.
- Fund earnings should help finance Sweden's pensions system. The funds should aim at a 3 per cent real return, a similar goal to that of many big institutional investors, such as insurance companies.

Why the funds in fact should be necessary is not so clear—one leading Stockholm banker describes them as a "solution in search of a problem"—but as the political temperature rises this autumn it is clear that much of the Palme Government's credibility is riding on the issue.

Starting the autumn political campaign with an address to the party faithful at a holiday resort on Sweden's east coast recently Mr Palme declared: "In our opinion wage earner funds are needed to pull Sweden through the economic crisis."

He spelled out various reasons: First, the funds were a quid pro quo for the unions putting in a moderate wage claim in next year's pay round, a vital element in the Government's anti-inflation policy. A 16 per cent devaluation last year had contributed to a big rise in company profits. "It is unreasonable," said the Prime Minister, "that wage earners should not get part of these profits, but instead should contribute to them by holding down their wage demands."

Second, the funds should strengthen workers' influence in industry through co-ownership *Power in business was concentrated* in very few hands, said Mr Palme, which did not favour industrial development.

The funds should also cure a number of other ills. They should lead to a more equal distribution of wealth, and they should strengthen the so-called "solidarity wage policy" (which is intended to minimise wage differentials between industrial workers by taxing the real or "excess" profits and making it harder for especially profitable companies to offer higher pay).

Other tasks for the funds are to guarantee the availability of risk capital, increase companies' readiness to invest and secure jobs for the future.'

The fact that opinion pol after opinion poll has shown the funds to be an unpopular measure with the electorate has not deterred the Government so far. Neither has the fact that it can only push the measure through Parliament with the support of the Communist Party.

Some companies and institutions such as Volvo and Svenska Hendelsbanken have already introduced direct profit sharing schemes for employees as an alternative to wage earner funds, but it is hardly an acceptable move for leaders of the labour movement. "If you give an individual worker his own shares, he will act as a capitalist," says Ms Anna Hedborg, a top economist at LO, the blue-collar workers trade union confederation. "The labour movement as a whole will not gain

Some companies have threatened to move their operations abroad

any influence over corporate decision-making."

The unions claim that they want to invest funds siphoned off from company profits in sectors that hold promise of future growth. "If that's a planned economy," says Mr Stig Malm, head of LO, "then Marcus Wallenberg (former chairman of many of the country's leading industrial companies and its biggest bank) had a fantastic planned economy in Sweden."

But for business leaders in Sweden the issue is clear-cut and some have even threatened to move their operations abroad if the funds are introduced. "We categorically reject wage earner funds," says Mr Sven Wallgren, chairman of the Confederation of Swedish Industry. "It is a basic ideological difference and we see no grounds for discussion."

Some industrialists still believe the Government can be persuaded at least to postpone its plans in order to gain political consensus on putting the economy to rights, but the labour movement will not give up easily with the prize in its sights.

"Why do you think the employers are mounting such a massive propaganda campaign," asks Mr Stig Malm, head of LO. "You can file away at a tooth and it does not hurt, but now we are touching on the capitalist nerve."

A MODEL WELFARE STATE — FOR FIFTY YEARS

SWEDEN WAS ruled by the Social Democrats for an unbroken period of nearly 50 years from 1932. During the 1960s the country was widely admired for its ability to combine high living standards, a generous welfare state and an efficient industry. The model was based on a series of bargains between labour, industry and the State. Industry remained in private hands and was encouraged to expand and modernise. In return labour demanded equally high wages from the least profitable companies as from the most profitable. The least profitable were allowed to go out of business, in return for the unions agreeing to mobility of labour to the expanding companies. Socialism took the form of steeply progressive taxes which paid for welfare and helped reduce inequalities.

As economic growth slowed down in the 1970s distortions in the economic model became evident. The size of the public sector became a serious burden and wage costs rose too fast. Economic behaviour did not adapt to the changed circumstances.

In 1976, the Social Democrat government led by Mr Olof Palme was ousted when the Centre, Moderate and Liberal parties won a majority and formed a coalition

After two years of controversy over expansion of nuclear power plants, the coalition collapsed and was replaced with a brief Liberal Party minority rule and then, after the 1979 elections, yet another tripartite coalition

Competitiveness of Swedish products abroad continued to decline. High pay settlements began to take a toll in the form of inflation and unemployment, and heavy subsidies were paid out to keep declining industries alive.

Dissatisfaction with the six years of non-socialist rule—particularly the higher unemployment — helped Prime Minister Palme and his Social Democrats back to power in 1982. His first act of office was to devalue the Swedish krone by 16 per cent, and to plead with his labour union supporters to accept low pay increases

He now finds himself *indebted to the* labour movement — whose price for co-operation is immediate introduction of the controversial "wage earner fund scheme"

Men & Matters

Aluminium antics

Scottish industry promoters have pricked up their ears after *learning that Britain is* suffering a shortage of aluminium less than two years after the modern 100,000 tonne smelter at Invergordon was closed.

"It just goes to show that it should never have been closed," one member of the committee set up to save the smelter and its 900 jobs says.

The SDP MP for Ross, Cromarty, and Skye, Charles Kennedy, is also quick to jump on the bandwagon. "The closure was a tragedy that could have been averted and it is not too late to turn it round." He and others point out that at to-day's aluminium prices, double those of a year ago, the Invergordon smelter would have been making money.

Furthermore, the government's confidence that the country would always be able to import any aluminium it needed after the closure has been proven wrong. U.S. prices are even higher than European prices and all surplus metal on world markets is being drawn there.

British Alcan, which now owns Invergordon, would dearly love to have the output. "This is a three smelter market being served by two smelters," George *Russell*, managing director, grumbles, as he tries to balance his limited supplies with growing customer demand.

There is a big gap between grumbling and the possibility of the smelter being reopened. Most of the smelter equipment has been dismantled, destroyed, or otherwise made useless. It would be unwise, also, to put money on the authorities agreeing to a long-term power contract—a vital prerequisite.

In the meantime, a lot of aluminium smelters in the United States will be reopening to take advantage of higher prices.

"It's the big Bakeries 'Let them eat cake' attitude I can't stand"

Peking bound

Foreign Office mandarins who decide who is to be Our Man In . . . have had a tough choice over Britain's next envoy to Peking.

Sir Percy Cradock, the present incumbent, was due to retire this autumn. But because of the delicate negotiations over the future of Hong Kong with the Chinese he has been asked to stay on until the end of the year.

The front-runners to replace the laconic Sir Percy are Richard Evans, presently deputy under-secretary at the FO, and Alan Donald, under-secretary in charge of Asia, and a key figure in the talks with Peking over Hong Kong.

Both are Mandarin speakers and both have served in Peking. The need for the strongest and most experienced candidate available for what will be a key foreign posting, and a most difficult one, seems to favour Donald.

However, the Foreign Office, with an eye cocked towards Number Ten which is keeping a close watch on the Hong Kong talks, appears to have come down in favour of Evans.

Evans is the more senior of the two. While Donald has the advantage, as one acquaintance puts it, "of having a mind at least as complex as the Chinese."

Attic adviser

British industry is to lose the services of one of its best-known and longest-serving economic experts.

Sir Donald MacDougall, who has spent most of his working life advising governments and industry on economic affairs, has decided to hang up his slide rule. He will retire in six months time from the post of chief economic adviser to the Confederation of British Industry.

Sir Donald, who is 71, has served the confederation for 10 years under three directors-general. Imediately before that he was head of the government's economic service, and chief economic adviser to the Treasury.

But for all of us who have enjoyed Sir Donald's wickedly accurate stories of life in high places the best is yet to come. He promises to complete and publish his memoirs quickly after leaving the CBI.

Moreover, he is assuring his friends they will not be a dry treatise of economics during his working life. Rather is his writing a collation of thumbnail sketches and amusing *episodes* of his memories of the great and the good—and the not-so-good.

There is not much that escaped Sir Donald's attention during his years working for government. Indeed, at one point he was installed in the vantage point of an attic flat at the top of Number 11 Downing Street to be near his masters.

He was plucked from academic life to work for Lord Cherwell ("The Prof") while Cherwell was Churchill's scientific adviser during the war—and again when Churchill called the same team back during the 1951-53 Conservative administration.

But the part I am looking forward to—and these chapters have already been written—is his personal account of life with George Brown when the short-lived Department of Economic Affairs was created in the 1960s during the Wilson government, and all Whitehall shuddered at the impact of the upstart department's goings-on.

Brothers' bank

The new trade union bank which is now about to launch itself on the world is going through that process customary to new organisations: it is trying to decide on a name for itself.

My informant tells me he suggested the "Red Bulldog Trust" as one which conveyed the necessary message—and solved the question of the logo, a worrying one for a new organisation. When this failed to find favour, the alternative of the simple title "Arthur," after the greatest trade unionist of the day, was thrown into the ring: it was argued that the phrase "I've got my money in the Arthur" could become as popular as "We're with the Woolwich" or "Get the Abbey habit." The search continues.

A little group of media people and deep-thinkers got together at the Co-operative Bank's headquarters in Cornhill *yesterday (the Co-op is a partner* with the unions in the venture) and started to bat names around. The main themes, it was agreed, had to be prudence, patriotism, and pro-unionism—a difficult combination to get into a snappy title.

Various permutations of "mutual," "common weal," "unity," "community," "union," "trust" were tried out. A number were discarded because of their acronyms — National Union Trust was felt to be playing into the hands of the cynical, for example.

Observer

POLITICS TODAY

It's Dr Owen's party now

By Malcolm Rutherford

TO BEGIN on a high note: we really are on fresh political ground. The SDP conference in Salford this week sped on from where the TUC left off in Blackpool the week before. The trades unions are now ready to talk to Mrs Thatcher's administration and to abandon their role as the alternative government.

At the same time, Dr David Owen, the new SDP leader, is seeking to outdo the Prime Minister by embracing the social market economy — the free market model combined with restraints on cartels and with a social conscience.

It is becoming possible that the old class basis of British politics will be left behind, and with it the conventional definitions of left and right.

If the TUC is changing, the SDP is changing even faster. It is Dr Owen's party now. To take a single brutal example: incomes policy. The subject has been central in British economic and political debate for the past 20 years or so. Dr Owen practically threw it out of the window without even saying goodbye.

The SDP in future is to be the party of competition, of monopoly-busting and of free collective bargaining in the private sector: all that plus the essential safety net for those least fortunate and those suffering from the pains of economic transition. "They are the policies which contributed to West Germany's post-war recovery and which, when adopted by the German Social Democrats, eventually led to the party entering the governing coalition — first as junior partner, then as senior."

When he was in the Labour Party Dr Owen hoped it might have its own Bad Godesberg—the conference at which the German Social Democrats broke with Marxism and accepted the social market economy and the responsibilities of membership of the Atlantic Alliance to boot. Now he has gone it alone. For Bad Godesberg, read Salford.

Yet it would be hard to maintain this high note much longer. Reality compels one to say the Salford conference was a pretty small affair, resembling nothing so much as those Liberal Party assemblies over the years without the dottier fringe. Power and the big battalions seemed a long way off though it may be true that the social democrats, with small letters, can exercise some influence on legislation through their presence in the House of Lords.

The tone was self-congratulatory. "We're a real party now," members would tell you. "We've become (vogue word) cohesive — no more political virgins." And that is the first of the problems. The Social Democrat activists may think that among themselves, but seen from the outside the image is less convincing.

Salford was like an old Liberal Assembly in that the SDP is reduced to six MPs, of whom only Dr Owen now has national clout. The party has thus begun to look like a one-man band, as indeed the Liberals have done ever since most people can remember.

It differed from previous SDP conferences in that, despite the sizeable share of the vote at the general election, momentum has ceased. No longer are people flocking to join. There are no new House of Commons defectors coming out of the wings. In fact, it is doubtful how far the party would welcome them even if there were. In future the SDP is going to have to build from the bottom and, as the Liberals have found, that can take a very long time.

Moreover, since the general election the party has lost one of its original assets: the experience of government represented by its founding members. The Gang of four exists no more; nor does collective leadership. Mr William Rodgers and Mrs Shirley Williams lost their seats and, although Mr Roy Jenkins held on to his, he has been deposed as leader by Dr Owen. Mr Jenkins has been very gracious about it, but even from his public statements it is clear that he would have preferred to have stayed a little longer.

It was that experience of government which seemed to give the SDP the edge over the Liberals when the party was first formed. Now it may reside in Dr Owen alone—and even he cannot bask for ever in having once been a young Foreign Secretary and ambitious junior minister. It is not self-evident any more that the SDP is the dominant force in the Alliance.

Trevor Humphries

Dr David Owen, Leader of the SDP; stirring things up

And yet an Alliance there will have to be, and one as near as possible to a partnership of equals. Not too much importance should be attached to the debate over whether there should be a merger, or at least joint selection of candidates for the European elections next June. For all practical purposes a merger was never on for the foreseeable future. It would have created immense problems for the SDP in redrafting its constitution. As for joint selection, there is no reason why it should not happen informally in some cases. Certainly the SDP leadership would look very silly if it sought to oppose it at the local level.

Most of the people at the top of both parties appear to appreciate all that. It should be perfectly possible for the Alliance to go on deepening and strengthening its co-operation, perhaps with a loose federal structure overall. There is one telling argument why this approach might work: there is no evidence that the electorate has had any difficulty whatsoever in understanding the nature of the Alliance so far.

There was, however, a warning from Mr Jenkins that is worth noting. The Alliance, he said in one of those carefully prepared sentences, could become "like the European Community at its worst, held together by material self-interest, but without a sufficient sense of common purpose to maintain a hold on the hearts of the people."

Mr Jenkins was very nearly right. The problem with the Community is the reluctance of member states to agree on common policies and to put them above purely national interests. And it may be the same with the Alliance: it will be the policy dissensions that cause the trouble.

What bodes most ill for the future of the Alliance is the way some SDP members, not wholly excluding Dr Owen, appear to regard the Liberals as a woolly-minded lot, not interested in policy formation, party discipline or the pursuit of power. This is deeply resented by some Liberals who have been working at the grass roots of policy-making for many years. They see the SDP as still having a streak of arrogance, as playing at great power, rather than community, politics. In a way, they are right.

The SDP has internal problems, too—not the least of which is only having six MPs. Mr Jenkins, it is hoped, will still make some statesmanlike speeches in the House of Commons—rather like Mr Edward Heath relieved of the burdens of office—but he is effectively out of it. There is a notable addition in Mr Charles Kennedy, the new young Member for Ross, Cromarty and Skye, who made his mark at the Salford conference. But it still leaves a very heavy load on Dr Owen, expert on defence, foreign policy, health and now, it appears, economics.

"I like David," Barbara Castle wrote in her diaries when he was working for her at the Department of Social Services, "and am glad of his endless policy initiatives, even if some of them are only half thought through and, having started them, he drops them suddenly. I would far rather have someone who thinks for himself and stirs things up, for out of this good always comes."

Note in passing that it was Mrs Thatcher's first aim as leader of the Tory Party to "stir things up." Dr Owen's admiration for the Prime Minister may be limited, but only just. Note also that Mrs Castle's sentiments have been shared by some of his more recent colleagues, without the enthusiasm. One of the tests coming will be his ability to establish a machine—even a think tank—around him. It will be interesting to see on whom he relies for advice, for he cannot do everything himself.

Another challenge will be to do something about the party organisation. That really is the SDP's biggest problem at the moment. Membership reached a peak of a little over 65,000 in early 1982 — just before the Falklands war, and that timing may be significant. Since then, it has been at around 60,000.

According to the SDP's own estimates, the party needs to recruit another 10,000 members a year just in order to stay at the same level, and that is still pretty low measured against the big battalions.

The party has launched and relaunched itself over the past two years amid a blaze of public relations. One of its assets was supposed to be that it would operate at a regional as well as a national level. Yet the regional offices in Manchester, Birmingham and Bristol have already been closed down, and Cardiff may be to follow for lack of funds.

Funds matter. The SDP depends on individual subscriptions. As Mrs Williams wrote in her annual report, it is a question of turning electoral and public opinion poll support for the party into membership. This problem has not yet been resolved, and the SDP leadership appears to have few answers. The Liberal Party has had a similar difficulty over the years.

The opinion polls meanwhile remain encouraging. The Gallup poll in the Daily Telegraph yesterday, taken before Salford, had the Alliance at 29 per cent, against 24.5 per cent for Labour and 45.5 per cent for the Tories. The aim of becoming the second party in terms of the percentage share of the vote ought not to be unrealisable, perhaps as soon as the European elections next year, though much will then depend on the turn-out.

As for Dr Owen, he is seeking to do for the SDP what Mr Denis Healey was unable to do for the Labour Party: turn it into a modern party along the lines of Helmut Schmidt's Social Democrats at their peak. And indeed Dr Owen and Mr Healey have much in common. The former Chancellor of the Exchequer wanted to recruit Dr Owen to the Treasury as Financial Secretary in the 1970s, and talks between the two of them over the future of social democracy went on almost until the final break.

Whether Dr Owen can succeed with a new party where Mr Healey failed with the old is an open question. All that can be said with certainty at present is that the political ground has changed. Which political party will benefit ultimately remains to be seen. It could still be the Conservatives who seem to continue to make the intellectual and electoral running: witness Dr Owen's new economic policy.

Lombard

Why subsidies are hard to cut

By Jonathan Carr in Bonn

THE West German Finance Ministry is huffing and puffing about the growing distortion of competition caused by state subsidies. It stresses that yet more provision of state hand-outs for steel, shipbuilding and the like, especially in the European Community countries, could threaten the Common Market and world trade. Bonn is therefore determined not to rest until it wins international accord to remove (or at least reduce) the practice.

Quite right too, you may think, and no doubt the Germans will be setting a good example. After all, a Centre-Right Government pledged to encourage private enterprise has been in office in Bonn for nearly a year. Surely it must be cutting state hand-outs like mad after more than a decade of "Social Democrat-led misrule."

The obvious place to look for evidence is the Government's new "subsidies report" which broadly speaking, says who is getting how much from federal funds. But anyone expecting clear signs that the new Bonn brooms are sweeping clean is in for a surprise.

The report shows that next year the Government is making available DM 29.1bn (£7.18 bn) in financial aid and tax benefits, compared with DM 28.6bn this year and DM 27.2bn in 1982 (the last year of centre-left rule).

To some unpractised eyes these figures might seem to imply that the Government war on subsidies has not been a great success. But the Finance Ministry is proud of its achievement. It notes that had it not been for its tough savings efforts, subsidies next year would be DM 3.5bn higher than the projected figure. Moreover, the Ministry is keen to correct what it says is the widely held misapprehension that "subsidies" simply mean cash doled out to needy enterprises. Not at all!

So where is all the money going? DM 2.8bn is earmarked for agriculture against DM 2.6bn this year. To forestall any unreasonable criticism of the rise, the Farm Ministry hastily issued a statement noting that agriculture's share of federal subsidies had fallen very sharply over the last decade or so.

About DM 1.3bn is going to the coal miners. That is only slightly less than this year but, after all, one can't chop too much here. Coal is the only native energy resource of any size the Germans have.

Another DM 1.3bn is being set aside for industries in trouble, a bit more than this year, but then there is a lot more trouble looming. Much the same goes for development of regions with unusually high unemployment (to receive DM 4.7bn against DM 4.6bn before). A large chunk of DM 7.4bn goes on housing, but it can well be argued that state help in this sector helps the key building industry and promotes that ever-elusive economic upswing. Another DM 3.1bn goes in particular to encourage employee savings schemes—a worthy aid indeed (especially, you might argue, when the state's borrowing requirement is still so high).

A couple of footnotes are needed. All these figures refer to federal state subsidies, not those paid by the provincial states and municipalities. Add in their share and the overall sum would probably rise by about one-third. Moreover (pace the Farm Ministry) the agricultural figure does not include sums paid to German farmers (amounting to about DM 5bn annually) under the EEC's farm price guarantee regulations. But, of course, is a European Community subsidy not a German one—or should we just call it a guarantee?

Finally the Bundesbahn, the Federal Railways, with its billions of D-marks annually of state support, does not crop up in the report at all. Perhaps it is just too depressing to mention.

Pity the Finance Minister, Dr Gerhard Stoltenberg. It really is awfully hard to see where one can cut without doing as much harm as good. It is a lesson well known to Dr Stoltenberg's Social Democrat predecessors. No doubt other countries will argue in much the same way, when the outraged Germans attack *their* subsidies at international gatherings.

Letters to the Editor

The plans to abolish Greater London Council

From the Director, London Region, Confederation of British Industry

Sir,—Your report (Sept 12) that the plans to end the Greater London Council "may end in failure" exaggerates the degree of concern amongst civil servants at the Environment Department about the Government's proposals to limit local authority rates and the proposal to abolish the GLC and six English metropolitan county councils. The difficulties involved in abolishing the GLC are considerable but not insuperable and no doubt Mrs Thatcher will remind her ministers to get on with the job in hand and in Churchill's words "let the difficulties speak *for themselves*."

The CBI believes that the case for the abolition of the GLC is now greatly strengthened by the Government's decision to take transport away from County Hall. The GLC will thus be left with no real strategic role worth preserving. Clearly with the exception of administration of justice, fire, strategic land use, major highways and traffic management, refuse disposal and planning for natural emergencies (the GLC already refuses to take civil defence seriously) the GLC can no longer be regarded as indispensable. Indeed what remains of its activities can either be carried out by the London boroughs alone or in collaboration. The GLC duplicates services, it has *no real strategic* authority and is redundant. The fact that a few officials want to avoid the difficulties involved in reform should not deter a determined Government.

I believe that in any event the upheaval would not be very great and London would be spared the £770m contribution by ratepayers to keep the GLC in business. Mrs Thatcher realises this and according to a local opinion poll so does the London public. The Mori survey published last April revealed that nearly three out of every five voters are dissatisfied with the way Mr Livingstone is doing his job.

Peter Waine.

103 New Oxford Street, WC1

Cash flow problems

From Mr J. Humphrey

Sir,—Mr Edwards' letter (September 2) regarding modern cash flow problems and his methods of making optimum use of debtors' funds, reflects the increasing role of the treasurer in even small and medium-sized businesses.

His statement, however, that the bank's statement should be received more frequently than monthly can be improved upon. The treasurer must not rely on the printed bank statements because this does not take into account uncleared effects, i.e. cheques paid in with say 3.3 days to clear. If he is lending his credit balance based on the printed statement he will be in for negative interest. If he is borrowing, based on the same figure, he will be borrowing more than he thought and suffering greater interest than he thought.

This control must be maintained daily, to obtain full benefit, and the bank's figures of his cleared balance must be used.

J. S. Humphrey.

Coldarbour Farm, Tilty, Great Dunmow, Essex.

Expertise is preferable

From Mr I. Kozma

Sir,—By chance I viewed the last segment of the BBC's live report from the TU Congress on Wednesday afternoon and noted the remarks made by a comrade in support of a motion for greater accountability by public companies.

Your report (September 8) did not mention that Mr B. Stanley, the speaker, took it upon himself to single out building societies and implied that their board of directors seem to operate like secret societies. He decried the lack of information from societies to their members and suggested that even the annual reports can be seen only by the virtue of government or law requirements.

His statements concerning the building societies perhaps justly deserve to be ignored, however *as I am a member of* a building society (albeit I can save only on a modest scale) I wish to react by saying that when I entrust my small savings to a building society then what I expect is not "democratic management" nor a constant flow of uninteresting (and costly) information but professional expertise.

For me the freedom of choice to carry on saving with a society, or to withdraw my money, sufficiently guarantees that the board of directors will do their very best in all circumstances to "make my money grow." Should I wish to buy a property, I will not expect to have some "democratic right" to vote—with millions of other borrowers — about the rate of interest what I should be paying. Again, I shall exercise my freedom of choice and "shop around."

When trade union members have freedom of choice to vote for any political party at general elections but not much say in the unions' donations to Labour Party funds then Mr Stanley's outburst sounds like a demand by the "Bold men's club" to investigate irregularities in the manufacture of hair clippers. May I say to them: come off it comrades, leave our building societies alone!

Ivan Kozma.

4, Crawford Mansions, Crawford Street, W1.

Accounting for inflation

From Mr K. Morris

Sir,—Mr Woodthorpe (September 9) gives a good example of how inflation generates a tax profit for the state, at the expense of the business concerned. In his example historic pre-tax profits were 30, so tax was 10, whereas real pre-tax profits were 17, so an equitable tax would be about 5. Thus due to inflation the business paid nearly twice as much tax as it ought to have paid.

Your correspondent rightly says that tax should be on real income, and suggests that the Revenue might be persuaded to change its rules. It is unlikely that the Revenue would agree to that because the main reason why most of the states of the world today inflate their money supplies is presumably to get the considerable tax profit which it generates. It can be shown that in the UK every 1 per cent on the annual rate of inflation generates a tax profit of about £1½bn at the present time. Thus the example given by your correspondent is merely a minor illustration of how inflation generates a tax profit. When states are willing to voluntarily forgo the tax profits generated by inflation, it is only one step more to persuade them to stop inflating their money supplies. If that ever happens the world will once again have stable money, and inflation accounting will be unnecessary.

I would suggest an amendment to the format of the accounts or a note, detailing how much of the tax paid is on real pre-tax profits and how much is inequitable because it is not on real pre-tax profits but due to inflation. If the iniquity of it were continuously publicised in the accounts of every company and business in this way it might eventually pressurise the Revenue into changing the rules.

K. G. Morris.

56, Woodmansterne Road, Coulsdon, Surrey.

Meeting the chairman

From the Branch Secretary, Wearmouth, National Association of Colliery Overmen, Deputies and Shotfirers

Sir,—Reporting (September 10) on the visit of Mr Ian MacGregor to Wearmouth colliery you stated that union officials refused to meet him. This was not so. I was pleased to be given the opportunity of meeting the chairman of the board on behalf of my members. A small but very important part of the mining industry. Strength does not always lie in numbers.

R. Metcalfe.

National Association Colliery Overmen, Deputies and Shotfirers,
Wearmouth, Sunderland.

Using the right language

From L. van Rooij

Sir,—Ms Caroline Baker's letter (September 5) which deplores the lack of French documentation for English and American equipment raises among others the question whether those who should sell such equipment in France make sufficient (or indeed any) use of international standards.

The world standards for electrical and electronic engineering, for which the International Electrotechnical Commission (IEC) is the authority, are bilingual *publications* in English and French. They provide *inter alia* the technical terminology and phrases in context and so can be used as a valuable reference for technical translators.

Another authoritative tool for the technical translator, now coming off the press, is the IEC Multilingual Dictionary of Electricity based on the International Electrotechnical Vocabulary. It gives terms and definitions in English and French and equivalent terms in seven other European languages.

L. van Rooij.

Deputy General Secretary, International Electrotechnical Commission, 3, Rue de Varembé 1211 Geneva 20.

FINANCIAL TIMES

Friday September 16 1983

NO EARLY SOLUTION SEEN UNLESS MEMBERS AGREE FUNDING LEVELS

World Bank development funds drying up

BY NICHOLAS COLCHESTER IN LONDON

THE PROBLEM of procuring funds for the International Development Association (IDA), the part of the World Bank that lends to the poorest countries, is becoming "critical" according to M Maurice Bart, the European director of the Bank.

In presenting the World Bank's annual report for the year ending June 30 1983, M Bart said he could see no solution in sight in deciding the overall amount and the share of IDA funding that member countries will contribute towards IDA's seventh replenishment. This is meant to cover a three-year period including the fiscal year which has already begun. Negotiations on the matter resemble "horse trading without leadership," he said.

IDA has only been able to sustain the pace of its lending in the year that began on July 1 because some members, including West Germany, Japan and the UK, have been willing to make advance payments while others, including France and Italy, have contributed to a special fund. The problem, said M Bart, is that the volume of funds is insufficient while the special fund is available only on condition that resulting import contracts are placed with contributing countries rather than with the most cost-effective supplier.

M Bart said that while the debt problems of the middle income developing countries had taken the limelight, their economic predicament was not as serious as that of the poorer countries which did not have access to commercial credit. These had been hard hit by deteriorating terms of trade, reduced flows of aid and, often, by bad economic policies that were conducive neither to sound development nor to social equity.

Reviewing the World Bank's response to the world recession, M Bart said that the World Bank taken as a whole had entered into new lending and investment commitments of $15.3bn in fiscal 1983 compared with $13.6bn in the previous year. This had led to a net transfer of resources (loan payments minus interest and repayments) of $4.5bn, or 3 per cent more than in the previous year.

The Bank had had to alter its policies to keep the funds flowing. It had decided to shoulder a greater proportion of project costs. It had expanded the flow of funds for Structural Adjustment Lending – lending that is not linked to specific projects but which is close to balance of payment finance and is conditional upon economic policy changes. It had also introduced new co-financing instruments designed to involve commercial banks in the funding of World Bank projects.

M Bart said that the Structural Adjustment Lending accounted for 8 per cent of the World Bank's lending last year. He explained that the limit on the volume of such lending was chiefly the willingness of governments to accept the adjustments to economic policy – like the removal of counter-productive subsidies – requested by the Bank. He spoke of "umpteen cases" south of the Sahara where governments were unwilling or unable to make necessary structural adjustments.

Group of Ten accord, Page 2; Heavy toll on Third World, Page 4; Venezuelan debt, Page 5; Editorial Comment, Page 16; Brazil signs letter of intent, Page 5

Copper hit by heavy selling

By John Edwards in London

COPPER prices tumbled on the London Metal Exchange yesterday to the lowest level since January. The higher grade cash copper price closed £22 down at £1,036.5 ($1,544.4) a tonne.

The market fell further in after-hours trading after continued heavy selling, mainly from speculators. The sales have depressed other metal markets, notably gold, aluminium and zinc.

Traders said sentiment in the copper market, especially in New York, had been undermined by the recent rise in surplus stocks. Copper stocks in the London Metal Exchange warehouse have risen steadily in recent weeks to reach 357,225 tonnes, the highest level for more than four years.

Stocks have increased sharply in New York, too, indicating that the recovery in American industry has not boosted demand for copper sufficiently to match supply.

Demand worldwide has failed to improve significantly in some of the main copper-using industries, such as electronics, while developing countries anxious to earn foreign exchange have kept up production in spite of low prices.

Speculative selling has also been encouraged by the decline in gold. This has driven the copper price through several of the points perceived by big speculative funds as indicators to sell. These funds, which base their dealing strategy on computer and chart systems, have become a strong market influence.

Speculators, taking profits, are also held mainly responsible for setbacks in the aluminium and zinc markets this week.

Cash aluminium fell for the fourth successive day yesterday, closing £26 lower at £1,046 a tonne – £66 below the record price reached on the London Metal Exchange only 10 days ago.

Cash zinc closed £4.5 down at £539.5 a tonne. It reached a nine-year high of £577.75 last Friday but has been under consistent selling pressure this week.

Commodities, Page 38

West German exporters face 40% rise in credit insurance

BY JOHN DAVIES IN FRANKFURT

WEST GERMAN exporters face an increase in charges for export credit insurance by an average of about 40 per cent from October 1.

The economics and finance ministries in Bonn are determined to implement an increase despite protests from industrialists, particularly process plant manufacturers.

Charges are to rise relatively more heavily for coverage of sales to public authorities, because of the scale of payments problems on such exports in the past couple of years.

It is intended, however, that no export sector should bear an increase of more than 50 per cent in charges.

West Germany's government-backed export credit insurance scheme is operated through Hermes, a private company, but Bonn makes all the decisions.

It is unclear how much the Hermes increase will cost German exporters.

But officials estimated earlier this year that an increase of between 30 and 50 per cent could raise about DM 300m or DM 350m a year.

Hermes provides coverage on just under 10 per cent of West Germany's exports, mostly to developing countries, including oil producers, where payment is considered to be more at risk.

Last year it paid out DM 930m ($347m) to exporters who had failed to receive payment from their buyers. Even so, the export credit insurance scheme still made a net profit of DM 34m, because payouts were more than offset by fees and delayed recovery of debts.

Hermes is expected to show a deficit of about DM 800m this year because of the increased volume of payouts to exporters.

The economics and finance ministries have decided to raise charges to prevent even larger deficits in the next couple of years.

They have made clear that they do not want the export credit insurance scheme to become a form of export subsidy.

Count Otto Lambsdorff, the Economics Minister, and Dr Gerhard Stoltenberg, the Finance Minister, have agreed to the higher charges. Count Lambsdorff confirmed their decision to the economics sub-committee of the Bundestag (Parliament) earlier this week.

The Economics Ministry said yesterday that their decision would go before the cabinet, but as information rather than as a proposal requiring a further decision.

UK export agency warns of first country-debt provision

BY CHRISTIAN TYLER, TRADE EDITOR, IN LONDON

THE SERIOUSNESS of the Third World's debt problem was further highlighted yesterday when Britain's Export Credits Guarantee Department (ECGD) admitted it may for the first time have to make provision in its accounts for non-payment of country debt.

The Government agency, one of the biggest in the world, is already heading for a deficit this year on its main account because of a continuing flood of claims.

Provisional trading results, published yesterday, may have to be revised downwards if the new accounting procedure is adopted. Mr Ken Taylor, secretary of ECGD, said the department was under pressure from the Treasury and Parliament to make allowance for the possible failure of debt rescheduling by indebted countries.

So far the ECGD has regarded it as certain that sovereign debts would eventually be recovered, because it has been extremely rare for a government to repudiate its debt.

The issue is a highly sensitive one because the ECGD does not wish to imply that any country would not live up to its word after a financial rescue.

Nor does it want to give borrower countries the impression that it may in future write off some or all of their debt.

Results declared yesterday show an estimated trading surplus for 1982-83 of £201.4m ($300m) compared with £167.5m for the previous year. Cumulative reserves also increased from £668.4m to £869.8m. But actual cash reserves were down from £481.3m to £288.7m.

Mr Taylor said it was "touch and go" whether the expected deficit this year on the commercial account would be followed by a combined deficit for the first time in 20 years.

If the so-called "national interest" account also goes into the red, the ECGD would have to borrow from the Consolidated Fund, but is confident of being able to service that borrowing. Premiums paid by exporters would probably be raised again. The Department is obliged to operate at no net cost to the taxpayer.

The policy had been to maintain backing for exporters and run down the cash reserves

But he said there was "a fine dividing line between giving exporters the backing they look for and running the Department into such a deficit that very painful premium increases would be needed to get it out."

Claims in the current year could match or exceed the £584m paid out in 1982-83. A large part of this burden is likely to come from Latin America, where insurance cover is highly restricted for most countries. The agency's total "exposure" was £42.4bn, an increase of 30 per cent.

ECGD is "off cover" entirely for Poland (where rescheduling talks are to be resumed), Argentina and Zambia.

Mr Taylor made it clear the Department had a very difficult two or three years ahead, but said he did not expect "anything cataclysmic."

The Department's troubles will loom large in the review set up last month by the Government into ECGD's status and performance. Mr Taylor, who retires shortly, would not be drawn on what reforms he would wish to see.

Claims against the ECGD due to political events, including the effects of debt rescheduling, were £370m (£201m), and on private buyer risk were £117m (£77m).

British industrial output improves

By Max Wilkinson in London

UK INDUSTRIAL production improved in July, according to a new series of official figures out yesterday, which showed a somewhat more encouraging picture of recent trends.

The figures, compiled for the first time on a new basis which takes account of the changing profile of industry, showed that output in July recovered from its apparent drop in June.

For the latest three months, they showed that output of all "production industries," excluding construction, rose slightly from its level in the previous three months – February to April.

Output was little changed between the first and second quarters of this year, but the average level in the first half was 1.5 per cent higher than the average for last year.

The new series of figures, which taken 1980 rather than 1975 as the base year, now follows the standard classification of industrial categories. It also incorporates estimates for changes in stock levels, which the Government's Central Statistical Office believes will give a truer picture of what is happening to output.

Manufacturing output on the revised definitions fell marginally between the first and second quarters of this year, although it recovered by 0.6 per cent in the three months to July compared with the previous three months.

The more buoyant July figures will provide reassurance to the Government after a disconcertingly sharp fall in June. This fall was taken by some analysts as tentative evidence that the present recovery might be petering out. However, the Treasury has strongly maintained that the growth in total output will continue at a moderate pace at least into next year.

The July index for the output of production industries was 100.7 (1980 = 100), the highest since the second quarter of 1980.

The July index for production industries is put at 6½ per cent above the lowest level reached at the bottom of the recession in 1981. This trough is now placed in the first quarter of 1981, rather than in the second quarter, as suggested by the previous run of figures.

However the July index is still 7½ per cent below the peak reached in the second quarter of 1979.

The new index for manufacturing output is 4 per cent above its level at the trough in 1981, but 14.9 per cent below its peak in the spring of 1979.

Finsider plans to cut quarter of workforce

Continued from Page 1

Since then, the Government has in practice accepted the need for cuts in capacity. Having suggested initially that the main burden be borne by the private steel mills, it recently told Brussels that it would consider making greater reductions in the public sector.

Finsider had previously envisaged cutting its steel labour force of 92,000 by 16,000 by 1987. Now, the company – which has cut only 4,000 steel jobs in the past 10 years, while *278,000 jobs* were being lost within the steel workforce of the EEC as a whole – is planning a much bigger and faster reduction.

This could be achieved by sending into retirement all steel workers over the age of 50, a move that would cover all but 1,500 of the proposed cuts. But the Treasury, already battling to reduce the alarmingly high cost of pensions, dislikes this plan.

The unions are to meet Sig Craxi, the Prime Minister, next week. They hope at least to reduce the scale of the job losses but for the *moment IRI is adamant that they* are essential.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	–	—	—	Malaga	S	26	79	Salzburg	S	27	81
Akrotiri	S	29	84	Faro	S	27	81	Malta	S	28	82	Seoul	S	27	81
Algiers	S	36	97	Florence	S	25	77	Manila	S	34	93	Singapore	R	26	79
Amsterdam	C	17	63	Frankfurt	F	23	73	Miami	R	33	91	Stockholm	F	14	57
Athens	S	29	84	Funchal	F	25	77	Milan	S	22	72	Strasbourg	F	26	79
Bahrain	S	35	95	Geneva	S	25	77	Moscow	C	15	59	Sydney	R	15	59
Bangkok	S	32	90	Gibraltar	S	25	77	Munich	S	25	77	Taipei	S	34	93
Barcelona	S	26	79	Guernsey	S	16	61	Nairobi	S	30	86	Tangier	F	26	79
Beirut	S	28	82	Helsinki	S	15	59	Naples	S	25	77	Tehran	–	—	—
Belgrade	S	27	81	H. Kong	S	31	88	New Delhi	S	31	87	Tel Aviv	S	30	86
Berlin	S	22	72	Innsbruck	S	22	72	New York	S	22	72	Tenerife	D	24	75
Biarritz	S	24	75	Inverness	F	14	57	Nice	F	24	75	Tokyo	R	23	73
Blackpool	C	15	59	Istanbul	S	26	79	Oporto	C	18	64	Toronto	F	18	64
Bordeaux	C	21	70	Jersey	F	17	63	Oslo	R	14	57	Tunis	S	30	86
Brussels	S	19	66	Jo'burg	S	25	77	Paris	F	20	68	Valencia	S	28	82
Budapest	F	25	77	Las Palmas	C	23	73	Prague	S	24	75	Venice	S	22	72
B. Aires	S	23	73	Lima	C	22	72	Reykjavik	R	9	48	Vienna	S	24	75
Cairo	S	31	88	Lisbon	S	24	75	Rio de J'o	C	25	77	Warsaw	F	20	68
Cape Town	S	17	63	Locarno	F	19	66	Rome	S	24	75	Zurich	S	23	73
Caracas	R	27	81	London	F	17	63								
Casablanca	F	24	75	Los Angeles	S	32	90								
Copenhagen	C	16	61	Luxembourg	C	18	64								
Corfu	S	29	84	Madrid	S	29	84								
Dublin	C	15	59	Majorca	S	28	82								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

UK to close offshore taxation loophole

BY CLIVE WOLMAN IN LONDON

ONE OF the most popular tax avoidance schemes to be marketed in the UK, the investment in offshore "roll-up" funds which convert income to capital gains, is to be removed in the next Finance Act, Mr Nigel Lawson, UK Chancellor of the Exchequer, announced yesterday.

The funds, most of which have been set up in the Channel Islands and are managed by London merchant banks, are now valued at close to £1.5bn. At that figure, the tax loss to the Inland Revenue this financial year would be £60m to £75m.

But Mr Lawson said in his announcement yesterday: "All the indications are that the scale of this tax loss will continue to rise sharply unless action is taken."

Another body that has been pressing the Chancellor to close the loophole exploited by the offshore funds is the Building Societies Association. Its members have been worried that their investors would be tempted to deposit money in the funds, attracted by the low or zero tax on the interest.

Instead of paying income tax at a rate of between 30 and 75 per cent on the interest, the clients of the offshore funds pay only capital gains tax.

In addition, the funds pay only a nominal sum in corporation tax. To achieve this, their directors are normally obliged to fly off the Channel Islands once a month to hold a meeting in another offshore base – so as to establish that control is exercised outside the islands.

The new rules to be incorporated in next year's Finance Act will apply to individuals and UK companies. They will be backdated to have effect from January 1, 1984, but investors who withdraw their money before then will not have their profits taxed as income.

Another concession the Chancellor has made is that the interest paid by the funds will not be taxed until it is withdrawn, in contrast to the interest on bank accounts.

Mr Nicholas McAndrew, of Rotschild Old Court International Reserves, a roll-up fund valued at £680m, said last night: "It is quite surprising the Government is acting now when Parliament is not in session, when it did nothing in the last budget."

He said he expected the fund to remain substantial because of the facilities it offered for switching between currencies and the large number of non-UK residents who were clients.

Mr David Landau, a solicitor and clerk to the tax commissioners, said last night: "The affair shows a general principle of tax avoidance that, however bright the idea is, it will be stopped when everyone piles in. At least in this case, the taxpayers can get out without suffering any penalty."

See Lex

French asset swap plan

Continued from Page 1

son's telecommunications business, while passing on in return to Thomson CGE's military, components and consumer electronics businesses.

CGE launched a FFr 1bn ($123m) issue of so-called "participatory certificates" yesterday. This is non-voting loan stock nationalised companies can raise on the French bourse. CGE originally sought to raise FFr 800m but increased the total in response to market demand.

M Pebereau said CGE's financial needs during the next five years would total FFr 31bn. He said CGE group sales in the first half of the year had risen by 12 per cent compared with the corresponding period last year. The company expected sales to increase by 15 per cent for the whole of 1983 compared with sales of FFr 65.8bn in 1982. However, in volume terms, sales would only show a slim advance this year. Earnings, which totalled FFr 638m for the group last year, were expected to advance in 1983.

THE LEX COLUMN

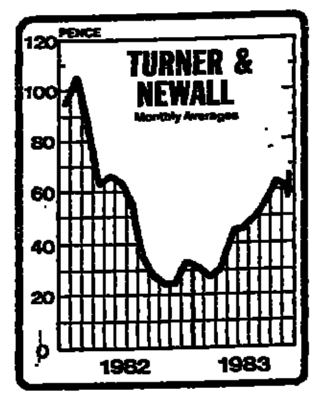
Rolling down the roll-ups

It has been a busy week on the tax avoidance front for Britain's Chancellor of the Exchequer. But while it should prove a fairly simple matter to whip British Petroleum into line over North Sea taxation, his chances of eradicating the loophole on which the roll-up funds are based must be thin. The likelihood of creating an uproar with the proposed legislation by dragging various wholly unintended targets into the net is extremely large.

The offshore funds which roll up interest and other income into capital in the most direct way are clearly vulnerable to legislation. Even here, however, it may be difficult to exempt satisfactorily bona fide foreign unit trusts.

At least the roll-up funds have themselves been receiving identifiable income. But some funds, notably Lazards' Sterling Reserve Fund, operate by making capital gains in marketable securities such as CDs. The markets in such securities fudge the distinction between capital and income, and since the Government is not prepared to close them down, they will inevitably be used by taxpayers, one way or another, to transform income into capital.

Legislation to catch the Lazards scheme is likely to be extremely difficult to formulate, and the scheme may well not be touched. With the possibility of transforming the roll-ups in this way, no wonder the funds are waiting to see the fine print before throwing in the towel.



Turner & Newall

The surgical knives at work on Turner and Newall have achieved rather more than a series of amputations in the latest six months. While disposals have accounted for a £60m reduction in net debt, cost-cutting in continuing operations has reduced working capital and sliced another £10m off borrowings. One result is an improvement in the debt: equity ratio from 59 to 28 per cent; the other is a bigger-than-expected £6.2m drop in interest charges which has underpinned the swing from pre-tax losses of £4.5m to profits of £4.9m.

Lower costs at Ferodo and BIP have been a major factor behind the £4.6m profits achieved in the UK on sales of £143m, which have remained about flat with last year when adjusted for closures and divestments. Overseas, continental demand for automotive parts has revived, helping to push this division strongly ahead. Profits in Africa have held up well, despite the recession in South Africa, and a break-even result in the Zimbabwean mining operation ought to give the group a stronger hand in its current ownership talks with the government there.

The continuing activities at Turner and Newall have made trading profits of £15.6m which compares with £16m in 1982 but only £5.7m in *last year's second half. This looks a* good performance, worth yesterday's 7p rise in the shares to 66p. But as the decline from £9.5m to £6.1m in the building materials' divisional profits would suggest, the move away from asbestos fibres is still fraught with difficulties.

Stock Exchange

The admission of lay members to the inner sanctum of the London Stock Exchange, its council, is long overdue and the new proposal to co-opt up to a quarter of the council's membership from outside the exchange is no more than common sense. Aside from their role on appeal committees, lay members could play a central role in shaping the new structure of the exchange and protecting user interests.

Potentially, therefore, this is far more than a cosmetic introduction. Yet the history of other City institutions has frequently shown how difficult it is to attract independently *minded and informed individuals to* time-consuming and often thankless tasks of this kind.

The Stock Exchange has rejected the New York Stock Exchange practice of co-opting individuals with no direct experience of the securities industry. So long as the council does not develop into a cosy City club, the advantage of having technically expert lay members aboard is compelling. But the exchange might take another leaf from the book of the NYSE, which has a board of only 22 members, of whom *10 are outsiders.* Reducing the council from its present strength of 46 would both enhance the smooth running of the institution and facilitate the task of finding effective lay members to make up the 25 per cent.

United Biscuits

UB is putting out a highly relaxed version of hostilities in the slowly dwindling UK biscuit market, which is perhaps only what one would expect from the market leader and price setter. But the 20 per cent rise in UB's interim dividend sets the seal on a first half in which the company has obviously enjoyed tightening the screw on its competitors.

With price rises on branded lines held to 4 per cent or so, and some extra promotional costs, UB's first half margins in the UK dropped by about half a point on *last year.* But as total market volume slipped by about 2 per cent, UB did well to shift its tonnage up by almost 3 per cent, leaving far fewer crumbs for Nabisco to pick up as it sets about reconstructing Huntley & Palmer.

Heady growth in profits is meanwhile emerging from North America, where Keebler's success is the main component in a trading-profit advance of almost two fifths, aided by the relative weakness of the dollar. It says a lot for UB's housekeeping that even though this movement has also added £1m to the sterling interest charge, the total debt charge has been falling, pushing back any lingering fears of another rights issue. At 152p, up 2p yesterday, the shares yield a chocolate-coated 6½ per cent.

ABP

In spite of flat UK overseas trade, Associated British Ports' operating profit on a comparable basis has risen by about a third to £9.4m in the first half, a figure that translates into £8.8m at the pre-tax level. The financial impact of the labour dispute at Hull broadly matches that at Southampton in the previous year, but container traffic is moving up, while timber imports and grain exports have been strong points.

The company should make £14m over the full year, while cash has been strongly positive and net debt should disappear by the end of the year. With the shares up 3p yesterday at 192p, the prospective p/e on an actual tax charge is about 8½, which looks undemanding given the further growth likely next year.

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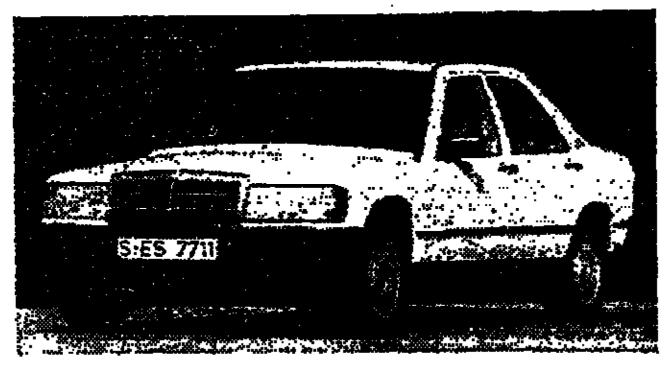
FINANCIAL TIMES SURVEY

Executive Cars

Eager to compete in this vital sector, the manufacturers are bringing out new models all the time. There is a marked contrast between the volume makers, who are struggling in a discounting war, and the specialist makers who have stayed aloof from it



Mercedes' 190 "small" car, which goes on sale in the UK this month

CONTENTS

Intense efforts to win customers

By JOHN GRIFFITHS

THE "EXECUTIVE" CAR sector is an ill-defined but highly important area of operations for European manufacturers. Larger cars, particularly when fitted with lots of "extras", hold out the prospect of high profit per unit.

For volume manufacturers, they offer the best opportunity to claw back some of the huge investments required to stay abreast of technological and manufacturing developments, particularly in the volume car business, where competition is intense and margins under considerable pressure.

Their ambitions to break deeper into territory traditionally occupied by specialist makers such as Mercedes are not being tolerated lightly. There is every sign that competition will intensify from another quarter, Japan, as restrictions on unit sales increase, helping to drive Japanese vehicles further up-market — again in search of higher profit-per-unit.

Against this background, few periods of the motor industry's history have seen as much activity in the executive sector as during the past 12 months. The developments include:

● The launch by Daimler-Benz, Europe's most successful executive car maker, of a new range of smaller, lighter Mercedes cars—taking the West German company down into a sector of the market from which it has been absent for 30 years;

● BMW's long-awaited introduction of its new Ford Sierra-sized 3-series cars — which account for half of total output — and of a new type of vehicle for the Munich manufacturer. The latter is a version of the middle range 5-series fitted with a large, 2.8 litre, but low-revving engine demanding an untypical (for BMW) relaxed driving style to achieve the main target of high fuel efficiency. It has also just launched a turbo-charged diesel model;

Significant

● A major turnround in Vauxhall/Opel's fortunes, led by the Cavalier "world" car and which, as the General Motors subsidiaries turn their attention to renewal of their larger models, could see them emerge also as a significant force in the executive market;

● Ford's venture into BMW territory with its just-launched 130 mph XR4i version of the Sierra;

● The launch by Audi Volkswagen's sister company, of a new range of its largest "100" models, with aerodynamic efficiency — a drag factor of 0.30 — which has set a new world standard;

● Continuing spectacular acceleration in the revival of Jaguar, which with new models due later this year and next, is turning its attention to expanding in Europe;

● At the top end of the market, a severe setback for Rolls-Royce, which has made substantial management changes as part of efforts to halt a sales slide which has cut output and jobs;

● Among other specialised makers, the year has seen the final demise of the UK Government-backed De Lorean sports car venture in Belfast with its founder, Mr John DeLorean, awaiting trial on drug trafficking charges in the U.S.

● Lotus, meanwhile, has had to cope with the sudden death last December of its chairman, the brilliant engineer Mr Colin Chapman, at the same time as its bankers, American Express, pulled the plug on its £1.6m long-term financial support (though it has been content to provide a continuing overdraft).

At the end of June, Lotus announced a refinancing package under which Mr David Wickins's British Car Auctions group has acquired a 25.5 per cent shareholding.

The products and companies outlined above vary widely, underlining the difficulty the industry itself finds in defining what exactly is an executive car. BMW, for example, considers that the definition does not apply to its cheapest 3-series models, using as a base point instead its 2-litre models with prices starting at about £9,000 in the UK.

Vauxhall, on the other hand, regards its better-equipped Cavaliers as qualifying—particularly the recently-launched 1.8CD version. So does Ford with its top Sierras, even though like Cavaliers, basic versions are pitched firmly at "bread and butter" fleet markets.

Views differ, too, on how the top end of the market should be defined. There is a point, typified in the UK where BL's Rover range crosses into that of Jaguar, above which cars might reasonably be classified as "luxury" models.

However, the majority of such cars will have been bought with company cash, whether a cheaper Rover or BMW for a rising executive, or a Rolls-Royce for the chairman.

It is the battle shaping up in the middle ground—typically vehicles selling between £9,000 and £14,000 in the UK—which has most significance for the European executive car industry.

Pressures

The keenness of Ford, Austin Rover, Vauxhall/Opel, Peugeot, Renault and other volume makers to get a bigger share can be understood in the context of the estimated $80bn being invested by the European industry — primarily by the volume makers — between 1980 and 1987.

That is by no means the whole story. The pressures are intensified by the fact that estimates from consultants DRI Europe showed that Europe's 20 main car producers had a cashflow deficit of £6.6bn between 1978 and 1980 — or £1,000 for every person employed in the industry.

The appearance of Mercedes's Sierra-sized (but not priced) "190" at a stroke has made the volume makers' ambitions considerably more difficult to achieve. It is joining similar new vehicles from BMW and Volvo whose positions in their chosen market niches are in any case much more firmly entrenched than their total sales might indicate, and whose customers traditionally have shown very strong repeat purchase "loyalty" (Mercedes claims 90 per cent).

The "190" is desperately important to Mercedes itself, which has spent DM 2.6bn (about £500m) to bring it to market, and for which the company envisages output of 110,000 vehicles this year and up to 240,000 a year by 1985-86.

The competition is intensifying at a time when overall sales of executive cars are still struggling to recover from the steep decline which took place between 1978 and 1980, when roughly 1m disappeared from the sector in Europe as recession and soaring fuel prices switched the emphasis to smaller, more economic cars.

However, while manufacturers are still allocating large amounts of cash to improve fuel consumption further, there are signs that customers' concern in this regard is easing.

The recent relative price stability of fuel has already lasted long enough for sales of large cars in the U.S., for example, to have started increasing again.

One indication of changing attitudes was provided by Mr Michael Heelas, managing director of VAG (Volkswagen/Audi) in the UK, in commenting on the June launch of Audi's 140 mph 200 Turbo.

Mr Heelas said that after the obsession with fuel economy of the past few years "people want a bit of oomph again."

Even so, despite a sharp sales rise forecast for 1984-85 throughout Europe, DRI does not expect executive class sales to return to the levels of the late 1970s, at least during the current decade.

But the overall figures disguise wide variations in the fortunes of individual manufacturers, with two distinct patterns emerging.

The volume manufacturers, with a few exceptions, have found the executive sector tough going. Partly this reflects ageing model ranges.

But among the volume makers, too, there has been a tendency to embroil executive models in the same discounting practices which have played such havoc with profit margins in the small and medium car sectors. Inevitably, there has been an adverse effect on secondhand values.

Effect

In contrast, BMW, Mercedes, Volvo, Saab and other specialist executive car makers have been much more resistant to such practices—and all consider that the beneficial effect on resale values (residuals) has been a major factor in continuing growth.

The gap between a car's price new and that achieved on its sale as a used vehicle is easily the biggest single cost of running a car. In recognition of this both Rolls-Royce—whose sales were badly hit early on by the recession, with owners facing up to £15,000 first-year depreciation on a £53,000 Silver Spirit—and Jaguar have given top priority to strengthening used car values.

Jaguar's action has already had a pronounced effect: market analysts are reporting a 15 to 17 per cent strengthening in the resale prices of the most popular 4.2 litre models compared with 1981.

The willingness to pay a premium for vehicles of the type produced by the executive specialists also partly explains the volume makers' loss of ground in the executive sector: Ford's output of the Granada—which sold 53,000 units in the UK alone in 1979—fell back by 7.9 per cent last year to a total 89,000 units; Renault and Peugeot have seen sales of their largest cars slump since 1980.

The volume makers are intensifying the fight, however. Ford expects its XR4i Sierra model to take about 7 per cent of Sierra sales, but much more importantly for the executive sector, next year it plans to replace the Granada with a new model code-named Scorpio. The car is generally regarded as being an even more radical change from its predecessor than the smaller Sierra

Renault also next year is expected to replace, after many years, its top R20 and 30 models.

The real effectiveness of the volume makers' assault on the executive market is unlikely to become apparent before 1985 at least. For not until then will volume makers' models which fully reflect the accelerating advances in technology be coming on to the market in force.

The intensity of the competition cannot help but be good news for the buyer: advances in weight-saving, aerodynamics, fuel efficiency and component design are all creating cars which last longer and require less maintenance than in the past.

The same competition is also expected to work strongly in favour of the buyer in terms of pricing. Continuing over-capacity and negative cash-flow for many companies, plus the continuation of high unemployment, are all likely to produce car price rises considerably less than the rate of inflation throughout Europe.

EXECUTIVE CAR DEMAND IN EUROPE'S PRINCIPAL MARKETS*

('000†)

	1980	1981	1982	1983	1984	1985	1986
W. Germany	694	620	563	572	579	614	636
France	291	289	255	230	240	242	240
UK	177	166	174	168	183	183	183
Italy	151	162	158	148	156	160	156
Total	1,313	1,237	1,150	1,118	1,158	1,199	1,215

† Based on registrations, actual and forecast. * "Executive" car defined as being typical products of Jaguar, Mercedes, BMW, Saab, Volvo and similar manufacturers, and of volume manufacturers' upper range cars, eg: Audi 100, Ford, Granada, Rover. Source: DRI Europe.

EXECUTIVE CARS II

Doubts over truce in discounts war

THE UK MOTOR trade and industry enters the last quarter of 1983 in a state of considerable uncertainty.

After record UK new car sales in August—by a huge margin—of 374,599 vehicles, market leader Ford proclaimed that it was seeking a partial truce in the discounting war which has been ravaging the UK market, at least from the traders' and manufacturers' viewpoint, for nearly three years.

The question is, will a truce hold? All the indications are that it will not—with BL already into a dealer incentive campaign which will last until December 9, and both General Motors through its Vauxhall/Opel subsidiary and Ford itself keeping their powder dry.

The main thrust of the incentives has been at the volume market, typified by the Ford Sierra/Vauxhall Cavalier and Ford Fiesta/Austin Rover Metro.

But the discounting has had some noticeable effects too on the executive sector.

All the volume car makers have been led into discounting their executive car ranges, and their action has produced a paradoxical situation.

Throughout the marketing battles, those makers who specialise in executive class vehicles have mostly refrained from discounting—and have benefited as a result.

To illustrate, despite a rash of new Rover models, including *higher-performance Vitesse and* turbo-diesel versions, Austin Rover's main executive models had lower sales in the first half of this year in both market share and unit terms. Total Rover sales fell from 12,755 vehicles in the first six months of 1982 to 11,307; their market share from 1.63 to 1.23 per cent.

Ford's Granada range sales fell in unit terms over the same periods from 13,946 to 13,035, and in market share terms from 1.78 to 1.41 per cent.

Within the Peugeot group, Citroen's executive CX range sales dropped from 1,456 to 1,242; the Talbot Tagora, seen at its 1981 launch as a major challenger to the Granada, has been scrapped, and sales of the Peugeot 604—comparable in size and performance to the Tagora—dwindled to a mere 61 in the year's first half. The only bright spot for Peugeot in the executive sector was a rise in sales of its more modern 505 executive range—but still only to 2,864 cars.

In contrast, sales of Mercedes cars in the six months increased from 6,414 to 7,099; BMW from 12,349 to 13,636, and Volvo executive models from 11,056 to 12,700, even though the benefits of Volvo's new 700 series cars were only just starting to be felt.

The basic lesson seems to be that those companies which have refrained from discounting, and thus have been most protective of the resale values of their vehicles, have done best in a market which, in the UK, is dominated by business purchases.

Mercedes, which this month is launching its new "small" car, the 190, on to the UK market, expects total sales in 1984 to *exceed the 15,000 mark and* claims to be constrained even to this level only by a shortage of vehicle supplies. Jaguar Cars, now separate from the rest of BL in almost all but name, has reached the same conclusions about discounting and sought to impose a ban on discounting by *its dealers.*

Over-reacting

But in the past few months, signs have been emerging that the trade itself may have been over-reacting, and that the long-*term impact on the executive* market might not be as bad as feared.

Trade analysts are reporting a strengthening of resale prices (residuals) across the board.

In the case of typical executive cars of the Ford Granada and Rover type, an improvement averaging nearly 9 per cent has been recorded since last year.

Undoubtedly, a major factor in the improvement has been last summer's abolition of hire-purchase controls. This has given private buyers easier access to such vehicles—and it is into the private market that most corporate executive cars are decanted.

At the same time, while UK fuel prices have risen slightly this year, there is evidence of lessening concern about fuel costs within the UK—another factor which stands to revitalise the executive car market.

All this should help the UK's specialist car manufacturers, nearly all of whom have made headlines of one sort or another over the past 12 months. There *have been:*

Job cuts, price cuts and management changes at Rolls-Royce in the face of falling sales;

Lotus's journey to the brink of bankruptcy at the turn of the year following the death of founder chairman Colin Chapman, and its subsequent rescue by British Car Auctions and Toyota;

Yet another change of control at Aston Martin Lagonda, a 55 per cent stake being acquired by Automotive Investments, which runs Aston Martin's U.S. distributor;

The final demise of the UK government-backed De Lorean sports car enterprise in Belfast, with its founder John De Lorean facing drug trafficking charges and the government poorer by £80m;

A resurgence of sales and production by some at least of the specialist "Second XI," such as Blackpool-based TVR, the sports car maker whose 100 employees have been working overtime non-stop to meet demand from the Middle East, Singapore and U.S. in particular.

And Panther, the Surrey-based maker of two-seaters is now expanding output by leaps and bounds in the wake of its rescue from receivership by Mr Young C. Kim, a South Korean businessman who now builds the Panthers' bodies cheaply in Korea.

The situation also looks better from the buyer's point of view because the price of new cars is likely to continue to rise at below the rate of inflation for the foreseeable future, for a number of reasons.

Two of the most important are:

● The highly-competitive nature of the car market brought about by continuing European over-capacity and manufacturers' needs to fill it out as much as possible;

● The now widely-perceived gap between Continental and UK prices. The Department of Transport is to make it easier, at least in theory, for cheap "parallel" imports to be brought into the UK by obliging manufacturers to provide Type Approval certificates confirming that the vehicle being imported conforms to UK legislature requirement. (The snag being, however, that it appears that the manufacturers and importers are being given a virtually free hand in what they charge for the service.)

This should allow dealers in parallel imports to set up legitimate businesses. "Personal" imports would then be confined to "genuine" cases such as returning diplomats or servicemen. At the same time, the EEC is still moving, even if slowly, towards a ruling which would allow a maximum 12 per cent new car price variation between member countries.

Opposed

These moves are being totally opposed by the trade and industry on the grounds that it *is ludicrous to require some*thing approaching a common market on cars when there has been so little progress towards overall economic harmonisation. Despite their protests, all the indications are that the industry will have to live with it.

But the UK manufacturers' case has been underlined by the fast-changing developments of the past few months. As the pound sank in value against Continental currencies at the end of last year and into this spring, parallel importers found themselves in trouble. By the time the Deutschmark was hitting 3.50 to the pound, the price gaps were closing fast. Indeed, trade forecasters were suggesting that the main beneficiaries of this year's forecast growth in sales would be British manufacturers.

With the UK economy performing well vis-a-vis most Continental countries in terms of inflation, it was argued that while UK manufacturers' prices would rise only slightly, importers would have to increase their own prices by rather more to compensate for the new exchange rate levels.

Now, with sterling on the rise again against Continental currencies, this view is having to be revised.

The UK trade and industry *has had other disappointments:*

Much as it was pleased, to say nothing of surprised, to find its campaign for abolition of HP controls successful, it has made little progress on what has become a major theme for the Society of Motor Manufac*turers and Traders and its* president, Talbot chairman, George Turnbull: the perceived need to remove the 10 per cent car tax.

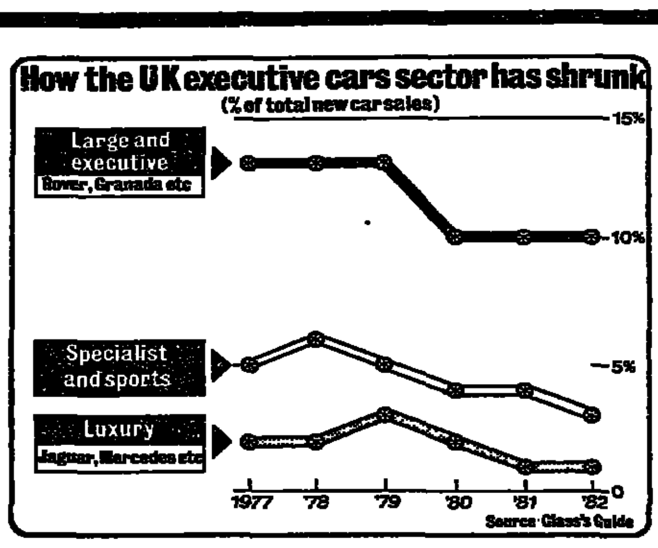
If this were done, the industry argues, the UK new car market could quickly grow to reach 2m vehicles a year. This would greatly increase the output of BL, Ford and other UK manufacturers—even if the current 57 per cent import penetration stayed the same; help BL towards profitability and encourage extra investment *in the UK by the multi*nationals.

This would also provide the UK with a substantial domestic base from which to export, argues the SMMT.

John Griffiths

How the UK executive cars sector has shrunk

(% of total new car sales)



The total amount spent on company cars has been shrinking as a result of the recession and concern about fuel prices. Cheaper and more economical models are being looked for though strong demand for quality cars such as Mercedes and BMW continues

Code of practice to ease grey imports

IN THE FLOOD of notices issued by the Department of Transport as it cleared the decks before the general election was one announcing a code of practice intended to ease some of the problems created by the unofficial import to Britain of cars from other Common Market countries.

The code is to be operated on a six-month trial basis by the Society of Motor Manufacturers and Traders (SMMT) whose spokesman said frankly: "We reluctantly agreed to give it a try."

However, the new code does not seem likely to permit a flood of unofficial car imports. On the face of it, the only people it does help are fleet managers.

To register any car in the UK, a fleet buyer has at present to have a certificate stating that the vehicle meets British safety and technical standards. Some official import companies and UK manufacturers have been reluctant to say the least, to issue these certificates.

The new code insists that in future a certificate — called in the jargon a sub-mac certificate — must be provided to anyone who asks for one.

The snag is that the manufacturer or importer has the right to inspect the car to make sure it does meet the required standards. If changes to the car are necessary before the certificate can be issued, in the words of the Department of Transport: "This could involve a substantial charge."

Insured

There is no change at present to the system where an individual importing his own car—previously used on the Continent—escapes the requirement to produce a sub-mac certificate before the car can be registered and therefore insured and legally put on British roads.

But, Mr David Howell, then Secretary for Transport, made it clear in his written Parliamentary statement that his main concern was that "grey" import cars should not be a danger on UK roads.

"The Government is concerned to ensure that all vehicles used in this country meet our safety and environmental standards through compliance with the appropriate type approval requirements. But it is also anxious that the purchaser's choice of supply should not be impeded. The arrangements set out in the code of practice are designed to enable both these goals to *be achieved," he said.*

Mr Howell added: "When I am satisfied that these new arrangements are working effectively and will continue to do so, I will review the terms of the personal import exemption from national type approval" (that is the necessity for a sub-mac certificate).

What this seems to imply is that the Department might take some action to separate what the trade calls the "genuine" personal importer, such as a diplomat or serviceman or businessman returning to Britain after a tour overseas, from the person who only drives his car from the Continental dealership to the coast before personally importing it.

In the past the SMMT has argued that the Department should insist on some time restriction—perhaps that the car has been driven on the Continent for six months—before it can qualify as a bona fide *personal import.*

Whether it will revive that suggestion before the end of the year when the new code is to be assessed, remains to be seen.

And only time will tell whether the code will enable unofficial wholesalers to make headway in Britain's car market. This trade is theoretically blocked by the terms of the contract between the car manufacturer and his franchised dealers, a contract approved by the European Commission, again mainly on the grounds that a controlled franchised network is much more likely to service the manufacturer's vehicles properly and keep them safe to drive.

The standard manufacturer-dealer contract forbids a franchised dealer to sell a car to a non-franchised dealer for onward sale to the final customer.

Those companies which appear to be unofficial wholesalers of imported cars in fact, to comply with the law, must have the name of a final customer to give the Continental dealer before that dealer can provide the car requested. In this case the importing company is merely acting as the customer's agent.

So the new code of practice apparently will merely help the fleet operator who has considered buying from another Common Market country to take advantage of the lower pre-tax car prices there. Up to now obtaining a sub-mac certificate has sometimes proved to be a difficult problem.

The SMMT estimates that 60,000 to 70,000 cars were unofficially imported to the UK last year, or over 4 per cent of *the total market.*

But the impetus seems to have gone from the trade following the fall in the value of sterling against the Common Market currencies.

And, as far as the fleet manager is concerned, there have been so many deals on offer in the past few months from manufacturers desperately attempting to improve their *market shares that they could* hardly do better buying abroad.

The prime example is that during the height of Ford's determined promotion of the Sierra in March, dealers were given an extra £500 bonus per car to put demonstration Sierras on the road (limited to five cars for each main dealer) as well as a basic bonus of £350 a car for meeting targets plus a fleet bonus of £200 for "loyal" customers. And, finally, there was temporary suspension of the January price increase of 3.5 per cent.

Normal

Private buyers, too, are well aware of the availability of larger-than-usual discounts. As Glass's Guide, the booklet to which most car salesmen refer before doing a trade-in deal, pointed out in a recent editorial:

"The discounting has now gone on for so long that what was considered a disorderly market is now accepted as normal."

Ironically, the "disorderly" market in part can be traced back to Ford's decision in March last year to cut some prices and improve the specification of its cars — never before had the market leader led prices downwards rather than upwards.

Ford was reacting to the grey import problem and the prices *it cut deepest* were those on cars which the unofficial importers preferred, such as the Granada or Escort XR3.

● Copies of the new code can be obtained by writing to the Department of Transport, Vehicle and Component *Approvals Division, Room 8/17,* Tollgate House, Houlton Street, Bristol, BS2 9DJ; or to the Society of Motor Manufacturers and Traders at Forbes House, Halkin Street, London SW1X 7DS.

A complaint about the way *in which an application for a* type approval certificate has been dealt with by a manufacturer or his accredited representative, should be made in writing, giving the details, to the society at the above address.

Kenneth Gooding

Government 'perks' attack muted

IN SPITE OF the Conservatives' attack on the company car, it has remained an established feature of UK corporate life. Indeed the practice of employers paying their employees partly by allowing them the use of a company car has continued to grow through the four years of the last administration.

A survey by the Salary Research Unit of Inbucon Management Consultants published last October shows that where 69 per cent of executives had the use of a company car in 1979, by *1982 the proportion had in*creased to 77.7 per cent. And it is clear that most of the executives to have climbed aboard in this period were those least likely to use the car on company business, such as chief engineers and production controllers.

The likelihood of receiving a company car increases depending on rank in the company hierarchy and also, independently, on the level of salary received. Last year 38 per cent of those earning up to £10,000 and 85 per cent of those earning more than £10,000 got a company car.

These figures tend to confirm the likelihood that the company car is more popular in the UK than in any other country. And while the Conservative government announced its intention of reducing the scope of this practice shortly after coming into office in 1979, strong opposition in business circles has forced it to make haste slowly.

The raison d'etre for the company car system is the tax advantages for an employee in having the use of a car owned *by his employer, rather than* owning his own outright.

The outright car owner must pay for the capital and running costs of his vehicle out of taxed income. But if an employee uses a company car for private motoring he will, at worst, be assessed on a scale still well below the true cost of running a car—even though the scale has now been raised at above the rate of inflation, by 20 per cent, in both 1982-83 and 1983-1984.

So even if the employee's salary is reduced by the true cost of having a car provided, he will have substituted a low-taxed benefit for highly-taxed marginal income.

The attack on the company *car began in August 1979, when* the Inland Revenue issued a consultative document suggesting ways in which company "perks" could be curbed. It singled out the company car, along with the associated free fuel benefits, as its main target since it estimated that car benefits represented about 80 per cent of the total value of fringe benefits.

The Revenue argued that fringe benefits distorted the workings of the employment market as well as reducing the Exchequer's take.

The attack was echoed by Ministers. In a speech following the paper, Sir Geoffrey Howe, the Chancellor, spelled out the Tories' thinking: "Perks are an inefficient and often wasteful way of rewarding effort, and unjust. Some perks are taxed in full, others pay no tax on identical benefits. The whole chaos might almost have been designed to set people enviously against each other and so to bring our system into contempt."

But there was a vigorous counter-attack from, among others, the Confederation of British Industry and the Institute of Directors. So the Government was forced to move much more slowly than it intended. Only from April 1981 were measures affecting the company car introduced, with the scale rate increased by 20 per cent for that financial year, and the requirement for business mileage raised from 1,000 to 2,500 miles a year.

The scales have been raised by 20 per cent in the two subsequent financial years, and are scheduled to rise by 15 per cent in 1984-85.

Mileage

The main problem for the authorities in trying to tax *company cars as a perk has been* that for some employees the car is not a fringe benefit, but a necessary tool of his trade. Company reps and salesmen fall into this category. It is generally estimated that about 70 per cent of new cars are sold for business use. About half of these are used as "tools of the trade," it has been reckoned, with the other half falling into the fringe benefit category.

In most countries employees are taxed directly on the benefit of the private mileage done in a company car. But the *Revenue switched from this* system in 1976 under the pressure of the growing number of vehicles in this category. So the scale system was introduced for administrative simplicity.

Yet the scales remain far below the true costs of running a car. The scale benefit of having the use of a car less than four years old of between 1301cc and 1800cc in the 1983-84 financial year is £425. For cars with smaller engines the scale rate is £325 and cars with bigger engines and costing less than £14,000 have a rate of £650. Cars with an original market value of between £14,000 and £21,000 have a rate of £950 and more expensive cars than this £1,500.

These scale rates apply if at least 2,500 miles are driven in a year for business purposes.

If the car is driven less than this the scale rate is increased by 50 per cent. At the same time the scale is reduced by half when there is substantial business mileage—a level quantified as 18,000 miles a year from the beginning of the 1981-1982 financial year.

After some to-ing and fro-ing, free petrol benefits are also being taxed on scale rates from the current financial year. The Chancellor warned at the time of the 1979 Revenue consultative paper that the provision of *free petrol was a rapidly grow*ing practice and that if it did not abate he would take steps to tax it. An attempt—announced in the 1981 Budget—to introduce scale rates in 1982-1983 proved abortive due to administrative complexities. Nevertheless, the system is now operating.

In fact the rates are pretty generous, and the scale charges used are simpler than those for company cars, with no distinction for the age of cars or for cars costing more than £14,000. The halving of the scale applies *where there is substantial busi*ness use as does the proportional reduction. There is no increase in the rate for insubstantial business use.

These provisions do not apply to petrol used in an individual's own car or hired car, where the normal benefit in kind legislation applies. In 1983-84 cars in the 1300cc to 1800cc category are on a scale rate for petrol benefits of £425. Larger cars are on £650 and smaller £325.

On this basis it works out as advantageous to an employee to use the scales if his private mileage is more than about 6,000 miles a year. If he is likely to do less than this figure he should reimburse his employer for petrol for private motoring.

David Freud

EXECUTIVE CARS III

New models come tumbling on to the market

A WIDE array of new models has come tumbling into the executive car market during the past 12 months. At this month's Frankfurt Motor Show, and in the next two years many more are due to appear, some of crucial importance to their manufacturers. They include, for example, a replacement for Ford's Granada.

Developments among the UK's and Continent's principal volume manufacturers include:

Alfa Romeo: The publicly-owned Italian company may be at a turning point after failing to make a profit since 1973. It is renewing its small car range, with the recently-launched Alfa 33 destined to replace the Alfa Sud and its joint project with Nissan, the Arna now also on sale. Productivity is claimed to be up 40 per cent and Alfa hopes to break even in 1984-85. Remedial action on its ageing larger cars—the Alfa 6 saloon, Alfetta, GTV and Guilietta—is under way. They are to be replaced at the rate of one a year over the next four years.

Aerodynamic

Audi: Volkswagen's sister company captured the title of most aerodynamic saloon with the launch *of its 100 model*, with a drag factor of 0.30, at the start of this year (the Sierra's drag factor is 0.36). A turbo-charged, 145 mph version, the 200T, was also recently launched.

Audi is also returning to the very large hatchback market with a 100 model variant, the Avant, with the luggage capacity of an estate car. The company alerted European markets to the performance, roadholding and other virtues of four-wheel-drive with its Quattro coupe several years ago, and recently extended its four-wheel-drive commitment to the 80 series saloon. Audi's intention is to offer a four-wheel-drive derivative of all its cars by 1985, by when there should also be an all-new 80 model.

Despite its successful programme to change its image from a maker of staid cars to performance-orientated ones, to lure younger drivers inclined to BMWs and similar, Audi and VW were alone among West German makers last year recording a *drop in production* of about 2½ per cent. But there are signs of a strong upturn for 1983.

Austin Rover: There are some parallels with Audi in terms of the slowly-reviving British manufacturer's approach to its image. Revival of the MG name for sporty Metro and Maestro models and a return to motor sport are all intended to attract younger buyers who in the 1970s deserted in droves. At last October's UK motor show, Austin Rover took another step to strengthen this image with the introduction of a high-performance Rover, the Vitesse, claimed to be the fastest-accelerating production saloon (0-60 mph in 7.1 seconds) and with a top speed of 135 mph.

The car was designed specifically to attack the middle ground of high-performance executive cars typified by BMW's 528i.

Both it, and a turbo-charged version of the Metro, were originally launched as "special order" items. However, with a recent decision by Austin Rover to expand Rover output at Cowley from about 700 to more than 1,000 cars a week, the £15,000 Vitesse is now being built as a stock model, and the company may well exceed its target of selling 2,000 such models this year. Of the total, about 400 should find their way into Continental markets.

Another market niche was found with a turbo-diesel version, the engine courtesy of VM of Italy. Launched last year, it achieved 70 per cent of all Rover sales in Italy, which reached 3,000 last year compared with 1,200 in 1981. Rover is also finding markets in the Middle East, with 1,500-2,000 vehicles expected to go to the Gulf this year.

The signs are good that Austin Rover will further increase Continental sales. Last year, it sold 105,000 cars—a 30 per cent increase on 1981. Sales were a further 12 per cent up in the first quarter, and Maestro models should make a noticeable further impact after the Frankfurt Show.

BMW — The Munich-based manufacturer, seemingly recession-proof and still expanding output, appears with its latest 525e model to be standing its traditional sporting image on its head. At £11,500 including taxes in the UK, it is designed to be driven at maximum engine speeds of 4,000 rpm — about two-thirds the norm. And in spite of an engine capacity of 2.7 litres, it provides only the same power as BMW's 2-litre fuel-injection unit.

The model, designation 525e, stands for eta, the Greek letter used by engineers to denote efficiency.

Where it differs from other BMWs is in having exceptionally high torque at low rpm — and this provides the clue to BMW's thinking. Ultimate top speed is becoming less important, low-down power and flexibility more so, in increasingly crowded road conditions.

Similar engines are expected to be developed for BMW's larger 7-series cars, to be offered, like the 525e, in parallel with BMW's "conventional" models. To complete its coverage of the market, BMW also launched turbo-diesel 5-series models this year.

The 7-series cars are to be replaced in 1986 with a range expected to include optional four-wheel drive. They will also be the first to come with sophisticated on-board computer monitoring and self-diagnostic equipment, which BMW says should lead to the servicing requirement of current cars being cut by 60 per cent. Meanwhile, BMW will get back to the "supercar" league with a 155 mph coupé model, the M635i, at Frankfurt.

Ford: The UK's market leader expects its 130 mph version of the Sierra, the XR4i, to account for 7 per cent of all Sierra sales, and take Ford into the sporting executive *sector occupied by makers* such as BMW.

Meanwhile, UK sales of its principal executive sector car, the Granada, increased slightly last year, from 25,210 to 28,590 —as did its market share, from 1.7 to 1.8 per cent. But these figures are well below the levels of the late 1970s and next year the long-running Granada will come to an end, to be replaced by a car code-named Scorpio.

Stretched

It is not, as Ford once considered, a stretched version of the Sierra, even though it bears some resemblance to it according to the now-notorious (to the industry) but often accurate "spies" of Car magazine.

It is expected to retain rear-wheel drive, like the Sierras, and the same saloon/hatchback compromise. It is also reported to have an even lower drag factor than the Audi 100. A wide range of engines is reported to include two Peugeot-made diesels as well as the 2.8 litre V6 petrol unit fitted to existing Granadas and the XR4i.

Computer-controlled suspension with optional settings, anti-skid braking, optional four-wheel-drive and a partly-enclosed engine for noise insula- are also believed to be planned for it.

Above: The Audi 100, setting the aerodynamic standard with its drag factor of 0.30. Below: Toyota's unusual Model F Space Cruiser, which looks like a van but handles like a saloon car

Honda: BL's increasingly close partner has already taken one step closer to the executive car it plans to build with the British company by launching a new 1.8 litre Prelude coupe model, which went on sale in *the spring. With a sophisticated* three valves per cylinder engine, and the cheapest anti-skid braking system to be offered to date—an option at under £500—the new Prelude in "executive" form takes Honda for the first time into £8,000-plus territory.

Honda UK, the British sales company, says it could sell a lot more than the 2,000 it expects to receive from Japan this year.

Lancia/Fiat: Fiat's decision to split Fiat Auto operations in *the UK, handing over the* Lancia franchises to Mr Gerald Ronson's Heron Corporation, reflects the failure to separate adequately what should be Lancia's upmarket image from the more utilitarian product of its Turin sister company.

Lancar, the company set up under Mr John Turner by Heron, has a big job to do if it is to convert Lancia's current dwindling sales—5,170 last year —into the targetted 20,000-plus, although it should be helped by the recently launched Poisma saloon, and two Volumex supercharged versions of the Coupe and HPE fastback estate models.

They differ from turbo-charged models in that the fuel mixture is injected into the engine under pressure by a mechanically, rather than exhaust gas-driven turbine, thus avoiding the throttle delay known as "turbo lag."

Further off is Type 4, expected to be launched at the end of 1984 or early 1985. It is important to the whole Fiat group. One version will replace the current top Fiat model, the Argenta; for Lancia, it will succeed the Trevi. Indicative of *increasing* collaboration between Fiat and Alfa Romeo, Alfa is expected to build a version for its own use and it is likely to appear in another guise as a Saab. All models will have differing bodies and engines, but share the Fiat-built floor pan and other components.

Jaguar: The turnround of this BL company under chairman John Egan is being presented as a showcase for the UK industry. Demand is now such that Jaguar will soon go on to double working shifts. This month will see the launch of a convertible version of the XJ-S coupé and the new AJ6 six-cylinder engine.

The first all-new Jaguar saloon since the later 1960s, the XJ40—much lighter than the existing model—is due for launch next year.

There is also a likelihood that an 'F'-type model, destined to be the true successor to the legendary E-Type (in other words, smaller and lighter than the XJ-S) will appear, though probably not before 1986.

Mazda: Toyo Kogyo, Mazda models' maker, is alone of the manufacturers to persevere with the Wankel rotary. Now a turbo version of its RX7 sports coupé is on the way.

Inexplicably, Mazda is apparently not considering exporting its larger Cosmos sports coupé to Europe, even though many Japanese observers consider it to be potentially one of the most competitive models were *Mazda to make a further con*certed push up-market.

Mercedes: the 190 and 190E models, the "small" Mercedes launched on the Continent some months ago, is being launched in the UK this month, at prices yet to be announced. Though externally smaller than the next model up the range, the 200 series, interior dimensions are about the same and the 190's price is not expected to be lower than the cheaper 200 models.

The latter is also expected to be replaced next year by a new model, while Mercedes is unveiling at Frankfurt a high-performance version of the 190, developed in conjunction with Cosworth of the UK.

Rival

Mitsubishi: Sold as Colts in the UK Mitsubishi models have been struggling for sales in Japan, despite the image-boosting launch last year of the Starion coupé intended as a rival for Porsche's 944.

Mitsubishi is understood to be adding an extra version, with four-wheel-drive. Meanwhile, to get round UK sales restraints on Japanese cars, Mr Michael Orr has set up Lonsdale Car Company to bring in Mitsubishi models built in Australia, with 85 per cent Australian content. They range up to 2.6 litres.

Nissan: There is still no sign of the Japanese maker's top model, the 2.8 litre Leopard, being destined for the UK, although it has been on sale outside Europe for some time. However, one car in the sporting executive bracket which should reach Britain is the replacement for the 2.8 litre 280ZX coupe, which began life as a two-seater in the 1960s. By the end of this year, possibly next month, Nissan is to announce whether it will manufacture cars in the UK.

Turbocharged

Peugeot group: While much stress has been placed on overhauling its small and medium car range—the new 205 Peugeot, last year's Talbot Samba and the Citroen BX launched in the UK this month—Peugeot has also given some attention to its larger models, including the recent launch of a 125 mph turbocharged version of its 505 saloon.

But the industry is still waiting for firm news on successors for the ageing 604 model. Talbot's similar-sized, more modern, but unsuccessful Tagora executive car was axed this summer after being launched only in 1981. Only 19,000 were sold.

Renault: The troubled State-owned French manufacturer has long been suffering dwindling sales of its ageing 20 and 30 series executive models, all hatchbacks. However, the situation is expected to be redressed by the end of next year with successors.

Said to bear a strong resemblance to the existing Fuego coupé model but incorporating a Ford Sierra-style "aeroback" half-way between a three-box saloon and hatchback, the cars are expected to retain the mechanicals of the current R20 and R30 models, but in developed form.

Meanwhile, a turbocharged, higher-performance version of the Fuego is also understood to be on the way.

Toyota: While the industry waits to see how far Japan's largest maker's links develop further with Lotus (which already does R & D work for Toyota, uses Toyota gearboxes and other parts in its Excel model and will use Toyota engines and gearboxes in its planned M90 "small" sports car), Toyota has launched one new model which might just prove a big trend-setter in the future. This is the Model F "Space Cruiser," which has just gone on sale in the UK. It resembles a streamlined van and has sliding side doors.

There the similarities end: the interior has three rows of seats (the rear two fold down into a double bed) all large and comfortable; the interior is very plush. It is said to drive and handle like a normal saloon, with the same degree of refinement.

In the U.S., such vans — taken a stage further, with coffee tables, mini bars and TV sets — have provided a boom sales area and Chrysler for one is investing substantially in them.

Whether, in the era of motorway cruising, they will take off in the UK and on the Continent will be one of the more fascinating areas to watch in the next few years.

Vauxhall/Opel: Since the launch of revised models of the German-built Carlton, Opel Senator and Royale executive models at the end of last year, UK sales of these models have risen substantially (in the case of the Carlton by about 160 per cent).

Refinements

The models are likely to continue for some time, with refinements such as optional four-wheel-drive on the top versions, while GM sorts out its rationalisation plans for future executive models, which could see a reduction in the number of types produced.

Volvo: The profitable Swedish maker set yet another production record last year, with output of 317,000 cars (it has overtaken Fiat/Lancia in the UK). Last year for the first time since the 1960s, it launched an entirely new executive model, the 760 series including a turbo-charged diesel model.

Early this summer, the turbo-charged petrol version, the 760T, went on sale in the UK—and explained the appearance of a Volvo in seventh place in the recent European Touring Car Championship round at Donington.

It is much the fastest Volvo ever produced, with a top speed of about 130 mph, and is pitched in price at the top end of Rover territory at just over £13,000.

John Griffiths

Innovations bringing cars of tomorrow

MUCH TECHNICAL innovation has appeared in new cars during the past year. Even more will follow, at an accelerating rate, during the rest of the 1980s. But three developments indicate that manufacturers need to tread cautiously — that buyers are unlikely to receive each innovation with uncritical wonder:

1—Austin Rover's Maestro has been welcomed as a refined, well-equipped and space-efficient car, but the on-board voice synthesiser of which it made so much at launch time has encountered growing criticism as a gimmick;

2—The futuristic Ford Sierra—a much more sophisticated and better-handling vehicle than the Cortina it replaced—is unquestionably among the world's most aerodynamically efficient cars, yet, for apparently no other reason than the styling which brought that efficiency about, the Sierra is struggling hard for sales against Vauxhall's more conventional Cavalier.

3—In the last few weeks before his abrupt departure from BMW, Dr Karlheinz Radermacher, the Munich company's former research and development chief, acknowledged that BMW had gone "over the top" with BMW's latest 7-series cars. That its "Starship Enterprise" dashboard, festooned with computer, elaborate systems monitoring display—even 27 separate illuminated knobs on the stereo radio/cassette — detracts from, rather than promotes, BMW's claim to offer the most efficient "driving machines."

Resources

Bearing Dr Radermacher's thoughts in mind, what, then, might the driver of tomorrow make of the Buick Questor?

This "concept" car was revealed in March by General Motors, the world's largest vehicle maker. If anyone has the resources to transform concept into reality, it is GM. The Questor's specification includes:

A laser key entry system. Press the laser key outside the car and it will: raise the vehicle six inches for easier entry, unlock and open the door, turn on all on-board systems (including a pop-up "system sentinel"), adjust seats, floor pedals, steering column, entertainment and interior systems to the personal settings of each driver;

With the doors closed, the car drops back down and, to use GM's own words precisely: "When the laser key is pressed again, the car enters the accessory mode, the systems sentinel drops out of sight, and the rear-view TV monitor, navigation centre and the touch command centre become active."

A TV screen is used for rear vision as there are no wing mirrors. The navigation system shows the vehicle's position on a moving map. The driver can make sure the system itself has not got lost by means of an electronic compass on permanent display.

The "touch command centre," on the console, provides display and control, again in GM's own words "for the AM/FM stereo radio, digital compact audio disc player, automatic climate control, calendar, fuel consumption data, as well as control of the map atlas menu and navigation menu."

Engine start is computer-controlled and automatic. Once the engine has fired, a "head-up" instrument display unit rises from the windscreen base much like that on a jet fighter. Headlights turn in the direction of travel. Strobe lights are used for turn signals, brake light intensity and flashing frequency increasing with pedal pressure.

At 25 mph, the car changes to a nose-down attitude for better aerodynamics and a spoiler rises from the boot and is computer-adjusted for better handling at speed.

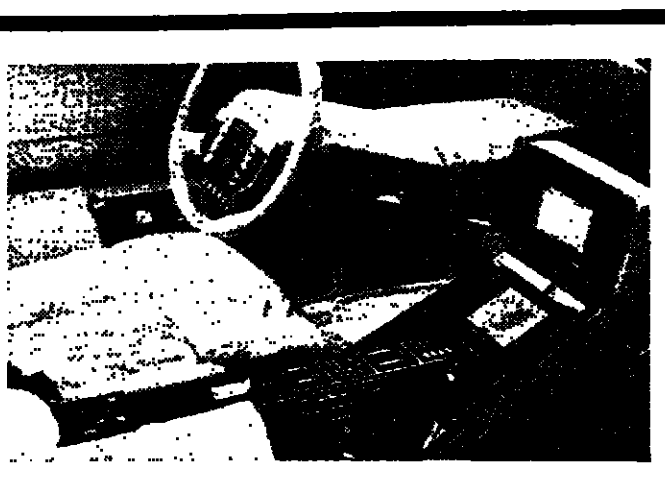
Cynics might suggest that an essential "extra" is a First Officer.

In fact, the Questor lacks two other essentials, namely engine and gearbox. Its function, as GM points out, is merely to demonstrate the possible; irrespective of cost or production considerations.

Even then, GM has not covered all the possibilities. Nissan and Toyota, for example, also recently displayed "future" cars.

Both the Toyota ESV-111 and Nissan's NRV-11 incorporate anti-skid braking (already offered on Mercedes, BMW and Honda cars, and understood to be coming on a new Jaguar next year), and cruise control linked to radar—automatically slowing the vehicle if it gets too close to the car in front.

The Toyota incorporates sonar in its back bumper for parking, emitting rising frequency bleeps as the vehicle parked behind is approached; the Nissan gives voice directional instructions according to a pre-programmed route, has a "drowsiness monitor" picking up the driver's brain waves and suggesting that he stops when tired; it is equipped with windscreen wipers which come on automatically when it rains and lights which do the same in poor visibility.



Driving position of the Buick Questor: laser, TV and computer technology applied to the car

Challenge

The challenge for manufacturers is to pick out features which are genuinely useful in promoting driving efficiency, what is genuinely wanted by motorists, and to discard what in the end is likely to be adjudged as no more than gimmickry.

Most of these advanced features are still some years off, if they reach the assembly line at all. Indeed, BL Technology and Smith Industries executives suggest that for the one efficiency, simplicity not complextity is the route to follow.

For example, the technology exists within the two companies to make a dashboard which consists of not much more than a steering wheel and a cathode ray TV-type screen. The screen would remain blank of anything but information needed at the precise moment.

When coupled to a continuously variable tranmission—being developed by several makers and now at most three years away (which is why Austin Rover bought VW gearboxes for the Maestro), it would leave the driver free to concentrate on the most important business of conducting the car safely through traffic.

But such an approach is fraught with marketing dangers. No matter how justifiable an idea might be in terms of efficiency, enthusiastic drivers are likely to resent the loss of being perceived as no longer in control of a complex machine.

What, then, are the innovations likely to be of most merit and are closer to production reality?

● **Suspension.** Toyota recently announced a computer-modulated suspension on its Soarer model, sold in Japan. At the press of a button, the suspension can be made soft for travel on rough roads, or for driving around town; hard for better road-holding and handling when driving swiftly on the highway.

It also stiffens one side of the suspension to prevent roll in corners, or at the front or rear to prevent bonnet rise or tail squat under braking or acceleration. A far more sophisticated suspension yet is being developed by Lotus, already tested on grand prix cars and road-going prototypes, using computer-controlled hydraulic rams which dispense with springs and shock absorbers altogether.

● **Anti-skid braking.** The ability to panic brake without locking the wheels, and steer at the same time, is acknowledged to be the greatest safety innovation since the seat belt. An expensive system — first offered as an option on Mercedes Benz and BMW cars for about £800 — it is now being offered by Honda for under £500. Lucas Girling of the UK has developed a similar system which it says can be offered at least as cheaply if manufacturers take it up in sufficient volumes.

● **Four-wheel-drive.** Audi is already committed to having a four-wheel-drive option on all its cars by 1985. Most manufacturers are developing models in one form or another, to tap the perceived benefits of better roadholding and traction in the wet or on snow and ice, and potentially higher levels of performance for sporting cars.

● **Fuel economy.** The sophistication of engine management systems is increasing, through improvements ranging from total fuel cut-off when the accelerator is released, to computerised control of ignition, mixture and other parameters.

Ford recently showed a research Granada which operates on three or six cylinders, which is claimed to improve economy by up to 17 per cent. A 50-car fleet is being used to gain operating experience (though the approach has been tried ,and rejected, by BMW).

One advance which will be followed with close interest is the joint Austin Rover-Perkins project for a direct injection car diesel to be launched in 1985, and likely to appear in the joint BL-Honda XX executive car. All current diesels, including a 1.6-litre unit of which Ford is just starting production at Dagenham, are of the indirect type.

The direct injection unit promises to be more powerful than indirect types and considerably more economical; Austin Rover and Perkins talk of an average 60 miles per gallon.

Audi this year launched the 100 model, with a drag factor of 0.30. The general industry view is that the next generation of cars will have factors in the mid-20s—which should produce further fuel savings at 70 mph cruising of about 7 per cent.

John Griffiths

Company cars spread down the line

IN THE far off days of 10 and 20 years ago the "perk" company car was offered only to senior executives and managers in order to attract high-calibre people. Today the "perk" car has spread down the hierarchy so that it is quite common even among junior managers.

As Mr Michael Woodmansey points out in the British Institute of Management's "Business Cars" (Management Survey report 53) "Company cars have become an established feature of company policy in terms of recruitment and retention of staff. Even though unemployment is around the 3m mark, many companies still find it difficult to attract high-quality staff with potential for senior management.

"The recession has made many people wary of changing jobs and those with a car are unlikely to be tempted to a new position unless a car (and probably a better model) forms part of the offer."

The BIM study is one of the most detailed available in that it covers 343 organisations. The "Monks Guide to Company Car Policy" (from Monks Publications, Debden Green, Saffron Walden, Essex CB11 3LX) appears more frequently as it is an annual publication and covers just over 100 organisations. Both seem to be required reading for the fleet manager or managing director.

Policy

Some of the conclusions contained in the BIM report are:

● Policy decisions on individual car allocation are mainly the responsibility of the managing director although in practice, particularly in large companies, he may simply approve policy formulated by a car committee or personnel director, acting as final arbiter in the event of a dispute.

● Managing directors and senior managers are allocated a company car by more than 90 per cent of organisations, middle managers are given cars by 63 per cent and junior managers by 27 per cent.

Status is the main criterion for allocating cars to senior managers and those above them. The criteria used for middle managers are divided mainly between status (18 per cent of organisations), status and salary level (14 per cent) amount of business travel (30 per cent) and a combination of business travel and status (18 per cent).

● For junior managers, business travel is the sole criterion in over half the organisations polled and the average requirement is 12,500 miles a year. Only 17 per cent of the organisations in the BIM survey use salary as a basis for car allocation.

● In 94 per cent of the organisations it is policy to differentiate between car models allocated to different categories of employee.

● The most popular cars allocated are: chairman, Jaguar XJ 4.2; Board members, Rover 3500; senior managers, Ford Granada 2.3 L or GL; middle and junior managers, Ford Cortina/Sierra 1.6L or GL. Most organisations specify that cars should be new, four-seater saloons manufactured by UK-based companies.

The BIM list varies only slightly from the one produced by Monks Guide after it surveyed companies last December.

Monks Guide found that for the chairman the typical company car remains the Daimler Sovereign 4.2 or Jaguar 4.2. Rolls-Royce or Bentley was the second most mentioned vehicle group for the chairman.

At managing director level, car size is influenced by company size, according to Monks Guide. The Jaguar/Daimler range again leads, together with the Rover 3.5. The Granada Ghia 2.8 is popular in the smaller company.

For directors, the Daimler or Jaguar is most popular with the larger company. The Rover range and the Ford Granada are popular in the medium and smaller companies. At senior manager level the Ford Granada (2.8 or 2.3) or Ford Cortina/Sierra 2.0 were regularly chosen.

Monks Guide found that the salary level at which cars are provided as a standard benefit had not been moved upward since the 1981 survey, other than to reflect inflation. The level varies with the size of company, a typical level being about £12,000 a year. "Raising this threshold to restrict company car allocation has not been an acceptable way to achieve economies," the report states.

However, about one in three of the companies providing information made changes to car policy during 1982 or planned to make changes early in 1983. One in five of those changes was directed at making economies.

Methods considered for cutting costs included:

(a) Reducing the employee's range of choice or the engine capacity of the car provided, or both.

(b) Giving a similar size of car or range to choose from but offering models with improved fuel economy.

(c) Extending the period for which company cars are held, typically from two to three years.

Monks Guide picks up this point and says that the idea is to improve cash flow. "Some feel that the modern car is quite capable of running for two and a-half or three years to a mileage of 50,000 or 60,000.

"While one cannot dispute the tremendous advance in modern vehicle technology, it should be borne in mind that the vehicle ultimately must be sold into the used-car market, and it is yet to be proved that two and a-half to three-year-old cars at such higher mileages are a desirable purchase for a used-car buyer."

Appropriate

Other changes recorded by Monks Guide in the 12 months to November 1982 included: the introduction of new systems to pay for private petrol; garage accounts were opened; company pumps installed; credit cards discontinued and prepaid cheques introduced. "Such arrangements were appropriate to the tax treatment of private petrol for tax year 1982-83," says the Guide.

Changes in model policy. The inclusion of vehicles from the Vauxhall Opel range, especially the Cavalier, was regularly mentioned. The Sierra replaced the Cortina and, in some companies, other Ford vehicles. Choice was restricted to or extended to include all UK-badged cars. Some West European cars were found to have poor resale values and dropped from the range of models available.

Cash limits were usually raised by about 5 per cent where choice was restricted by price. Three companies mentioned extending the period of retention from two to three years. Two companies were experimenting with diesel and one considering liquid gas-powered vehicles.

Two other important points emerge from the reports. First, companies spend a great deal on cars. The BIM study showed that 47 per cent of the 343 organisations surveyed each spent more than £100,000 a year on acquiring and operating their cars.

The other point gives a clear indication of what might happen should the Government push companies into discontinuing the use of cars as a "perk."

Of a sample of 103 company car drivers surveyed by the BIM, only 44 per cent said that if their company car was withdrawn they would settle for the same make and model should they have to buy a car themselves.

Kenneth Gooding

Jaguar goes it alone

The XJ-S: a greater emphasis on service

SPECIALIST EXECUTIVE car dealers, particularly those handling cars at the upper end of the price range, are now recognised as having considerable marketing advantages because of the expertise and image they offer.

For this reason a major policy change in the marketing of Jaguar and Daimler cars has been instituted, which reverses the decision taken some years ago to merge the sale of all BL cars through the company's UK dealership network.

This was taken in the mid to late 1970s when it was regarded as more effective to draw together the company's separate car marques under a single sales umbrella, which proved successful for some models but, BL now believes, did not prove suitable for Jaguar.

It has since been recognised that Jaguar should be marketed as the unique product that it is, BL says. "Jaguar cars are different and must be marketed as such, with greater emphasis on service and a special sales area which reflects their quality."

This policy is also partly in response to the exclusive image developed by Jaguar's main competitors, Mercedes and BMW which—for reasons of their product range and foreign manufacture—have long been marketed in this country through more specialised dealership.

Until recently, Jaguars were sold through about 280 BL dealerships across the country, but this number has now been reduced to about 200, regarded by the company as about right.

At the same time, a major programme has been started to encourage dealers to set Jaguars apart from other BL cars, underlining their improved quality and offering the customer a better all-round service.

Dealers are therefore being encouraged to establish separate sales areas, preferably in high-quality premises, backed up by at least one salesman who is fully versed in the details of Jaguar and Daimler models. Service arrangements for these cars are also being improved by dealers.

Standards

BL said that dealers would be expected to provide a number of minimum standards if they were to retain the right to sell Jaguars, which could be operated in conjunction with other non-competing luxury cars, such as Rolls-Royce.

Dealers who are prepared to meet these requirements will in some cases receive financial support from the company for doing so, although much will depend on the individual dealer's sales record, the company added.

"A lot will depend on circumstances. If a dealer shows good potential and is willing to make an effort to improve sales, he will almost certainly get our support. Equally, a dealer who is not making it but looks like being able to do so may also get our assistance."

It is also envisaged that there would be a small number of dealers who will be handling only Daimler and Jaguar cars, as it has been shown in certain areas that this policy could be successful.

Jaguar's overall aim is to increase its sales in Britain from about 6,500 cars last year to at least 7,000 in 1983, but it is recognised that the luxury car market is not increasing in size, and this rise will have to be achieved by improving market share.

The approach to sales of executive cars in the bracket just below the luxury class is somewhat different, particularly where a car is part of a range of vehicles sold through large dealer networks.

Ford, for example, does not intend to segregate its Granada sales from the rest of its dealers' business, although it points out that there is a subtle difference in the way its more expensive vehicles are sold.

Personal contacts appear to be the key to many such transactions, particularly through organisations such as Chambers of Commerce, Rotary and other business associations, of which many Ford dealers are long-term members.

"It is a matter of dealers getting to know senior people in the business community and selling directly to them." Ford said, adding that perhaps 85 per cent of its executive cars were sold in this way to company buyers.

Last year's "added value" promotion for the Granada, which offered a number of extras at no additional cost, has helped dealers considerably, Ford said, and the Granada remained the market leader in its class.

"Many of our dealers have as much as 50 years of experience and companies have grown up around them, so they are well attuned to local conditions," the company said.

Overall, executive car dealers have had a less difficult time over the past three years than others, since sales of the top imported models have held up fairly well, but with Jaguar now changing direction, the competition is likely to become more intense.

Lorne Barling

Executive Car Marketplace

FORTHCOMING FT SURVEYS ON THE MOTOR INDUSTRY

VANS AND LIGHT TRUCKS
23rd September

MOTOR INDUSTRY
19th October

COMMERCIAL VEHICLES
14th November

EXECUTIVE CARS V

HOW COSTS COMPARE - A LEASE COMPANY'S VIEW

Vehicle	Retail price	Inclusive* Leasing Rental Monthly £	Inclusive* Leasing Rental Annual £	Urban cycle mpg	Petrol Annual cost at £1.70 per gallon	Annual insurance premium £	Total Annual running costs £	Cost per mile p.
Talbot Tagora GLS 2.2 4d	8,995	328	3,936	22.8	1,342	356	5,634	31.3
Saab 900 GLE Auto 4d	9,494	336	4,032	22.2	1,379	376	5,787	32.2
Audi 100CS 4d	9,989	351	4,212	23.7	1,291	395	5,898	32.7
BMW 323i Auto 2d	9,655	358	4,296	23.9	1,280	382	5,958	33.1
Rover 2600S 5d	9,450	339	4,068	19.0	1,610	373	6,051	33.6
Mercedes 200 4d	9,129	367	4,404	22.6	1,354	362	6,120	34.0
Ford Granada 2.8 GL Auto 4d	10,026	345	4,140	18.7	1,636	397	6,173	34.3

* Reflects only initial purchase discounts and estimated residual
Source: Interleasing

Leasing: useful way to check costs

IN THE past 18 months, Lex Vehicle Leasing has increased its contract hire car fleet by over 85 per cent — from 3,800 to more than 7,000 vehicles. It expects to add about another 1,400 by the end of the year.

Such rapid growth is a reflection in part of a management restructuring and an aggressive marketing campaign by the Lex Group subsidiary over the past two years.

But it is a reflection, too, of the buoyancy of the contract hire business — other majors in the field, such as Swan National, are experiencing growth rates of 8 per cent or more. Dial Contracts, part of the Mercantile Credit subsidiary of Barclays Bank, increased its fleet size by one quarter last year.

And, reflecting an accelerating trend, Dial's leasing business has swung round from a situation three years ago where its leases were primarily finance ones — in which it finances the cars; running cost and resale value risks are borne by the client — to one in which Dial expects by the end of the year to have three-quarters of its business in contract hire.

With contract hire, the company leasing the vehicle buys the vehicles, maintains and repairs them — and in most cases carries the financial risks associated with disposing of the vehicles.

Cashflow

Particularly in times of recession, the advantages of such an arrangement in terms of cashflow for hard-pressed companies is readily apparent. The full-term costs will probably be higher than if a company purchased its own vehicles outright, and managed them effectively "in-house."

But as the growth of contract hire clearly indicates, a great many companies have been placing a higher priority on avoiding large capital outlays, while some companies have also come badly unstuck in their timing of replacement purchases in a highly volatile car market. This was particularly apparent in 1981 and last year, as the resale value of cars bought in the last boom period of 1979 and early 1980 at close to list prices plummeted against the background of a new car discounting war.

The effects were felt particularly keenly in the executive car sector, where companies disposing of vehicles had the extra problem of decanting expensive-to-run, but tax deductible, vehicles into what is invariably a private buyers' market—at a time when private buyers, paying out of taxed income, could ill afford them.

That big hiccup in the car market, coupled to a number of legislative changes removing some of the biggest taxation advantages of leasing, also had the effect of eliminating from the leasing business many smaller operators who had jumped on the leasing bandwagon—only to run into deep trouble through taking far too optimistic a view of residual values in setting their contract hire rates.

Another factor in promoting contract hire growth also showed up last year in some market research carried out by Makrotest. In a survey of 1,798 UK companies, it detected a widespread low level of expertise among company executives charged with fleet management in terms of financing alternatives, taxation awareness, and containing running costs.

Leasing rates were running well below the general level of interest rates during much of 1982. But since then interest rates have come down sharply, whereas leasing rates have hardly shifted; so there is an increased financial incentive, at least for companies which are profitable, to return to outright purchase, through which they can claim capital allowances.

And, of course, with many companies now having absorbed redundancy costs, the number of companies with improved balance sheets is also increasing.

The really big advantage leasing once held, the ability to claim 100 per cent capital allowance in the first year, against only 25 per cent for an outright purchase, disappeared with the government's closure of that particular legislative loophole in 1979 by putting leased and purchased vehicles on a similar basis.

Even so, the considerable advantage remained for many companies of being able to keep leased assets, including cars, off the balance sheet—they do not have to show the vehicles leased or the payments for them in their balance sheets. This incentive, too, is likely to disappear under the proposed Accounting Standards Committee exposure draft ED29, which would put leased assets into both sides of the balance sheet.

But for many companies, contract hire will still look more favourable—as a predictable cost at a time when the economic outlook remains uncertain, and which has other advantages such as savings of management time which would otherwise be spent on running a fleet and—now widespread—the provision of replacement, or even extra short-term vehicles, at times of breakdown or other sudden need.

Drawbacks

There are circumstances, however, in which leasing, whether contract hire or finance, does have drawbacks, at least in terms of flexibility. This applies particularly to smaller companies, whose partners or very senior executives want freedom of choice of vehicle, the ability to change it at will, and to participate in the resale of what almost certainly will be an expensive model.

In these conditions, there is a case to be made for fleet management specialists.

Here, the client company itself buys the vehicle. But the negotiations with manufacturer or distributor are carried out by the fleet management concern which, because it is buying thousands of vehicles a year on behalf of a wide mix of clients, can obtain prices as good as, or better than, even the largest individual fleet customer.

Running costs are monitored, and advice given on the best time to sell and the best channels to make the sale through (or, as is usual, the management company will sell the vehicle on the client company's behalf).

The snag, of course, is that the management company itself has to be paid—usually by negotiation of a fixed fee at the start of the relationship. Thereafter, although the management companies supervises maintenance, repairs and running costs—and pays all the relevant bills—these are passed on to the client company on an "actual cost" basis.

John Griffiths

Fast cars which are practical transport

A RULE of thumb definition of an executive car is that it is a vehicle fast, quiet and comfortable enough for a businessman or woman to think creatively in while driving around the country.

The vast majority of business motorists find a medium to large four-door saloon or five-door hatchback suits them best. But there are minority tastes to satisfy, too. What of the person who wants to project an image in addition to transporting himself? There are plenty of eye-catching yet still reasonably practical cars to choose from.

Four seats, or at least two very comfortable ones plus two for use in emergency, are better than two without the option. Strictly two-seat cars—and this especially applies to the mid-engined variety—too often are so deficient in luggage space that they cannot be seriously considered for year-round business use.

The Alfa Romeo GTV coupé gets past this hurdle. Powered by a 2-litre four-cylinder or 2.5 litre V6, it combines glamorous good looks with a satisfyingly long-striding performance. The Audi two-door coupés qualify, too. The carburetted model comes as an automatic as well as a manual with a tall economy top; the fuel-injected model with a slightly larger (2.1 litres against 1.9 litres) five-cylinder engine has only manual gears, with closer and more sporting ratios. These are proper four-seat cars, almost as roomy as saloons in the back.

BMW's 6-series coupés combine high performance, silence and luxurious appointments with elegant styling. Colt's turbocharged Starion is for the driver who lusts after a Porsche 944 but whose company denies him a car with an on-the-road price of over £15,000. Where such limitations do not apply, a Porsche 928S is possibly the ultimate in personal transport.

Jaguar's whispering XJS-HE is a worthy alternative to the Porsche 928. The Lancia Gamma coupé, bodied by Pininfarina, is handsome and modestly priced. Automatic transmission makes its flat-four engine more acceptable in town; it always was fine on the motorway. The Mercedes-Benz 380 and 500 SEC coupés offer everything their new S-Type saloon counterparts provide except rear-seat spaciousness.

Opel's Monza coupé, recently marked down in price a little, is keenly competitive as a businessman's express, with potent fuel-injected 3-litre six-cylinder engine. The well-established Saab Turbo and the only just available Volvo 760 Turbo are outwardly fairly sober, but have urge enough to satisfy the sporting driver who must have four or five seats and a big boot.

Traction

Just as turbocharging has become an almost conventional way of boosting the performance of a car without enlarging the engine, four-wheel drive can work wonders for traction and roadholding. The Audi Quattro turbo coupé and the 80 Quattro saloon demonstrate the calming qualities of all-wheel drive on a car with a high power-to-weight ratio. They offer quite exceptional security on wet or slippery roads because the engine's power reaches the road through four tyre contact patches, not two.

Apart from the obvious benefits of virtually eliminating wheelspin during hard acceleration on low-grip surfaces, four-wheel drive makes a car more relaxing because it gives greater directional stability. The explanation is quite simple. A tyre that is driving the car forward does not have the same sideways grip as a free-rolling tyre. By equalising the traction among all four wheels, the lateral grip is also equalised. Less steering movement is required to keep the car on course, especially on a blustery motorway.

The other, and more conventional, benefit of all-wheel drive is that the car will keep going in conditions that would defeat one with front- or rear-wheel drive only. Not many business motorists — other than those who work in the construction or agricultural industries — are likely to need this kind of traction. For those who do, the Range Rover is a marvellous machine. Now that it has four doors, power steering and an automatic option, it is easier to enter and leave, much easier to park and a far more agreeable vehicle around town.

Permanent four-wheel drive with a central differential to prevent the transmission "winding up" on dry roads gives a Range Rover better handling than any other vehicle of its kind. It responds well when treated like a rather elephantine sports car. The Mercedes-Benz G-car lacks the Range Rover's visual panache but is a mechanical masterpiece, with a choice of rear-wheel or all-wheel drive and four-speed manual or automatic transmission.

The driver who needs all-wheel traction but cannot coax the price of a Range Rover or G-car out of the company need not despair. The Subaru 4WD at less than half their price has front- or four-wheel drive on demand and recently became available with automatic transmission. It cruises on motorways like a normal car and has both grip and clearances to treat muddy tracks with contempt.

Stuart Marshall

UK makers joining the European trend

Diesels gain ground

EIGHT OUT of ten leading British companies provide petrol for senior employees to use for family and leisure motoring. This one fact—established in a survey by management consultants Towers, Perrin, Forster and Crosby—goes a long way toward explaining why the diesel-engined car has made little headway among executive drivers in this country.

Whether on business or pleasure, the company car user is less concerned about fuel costs in Britain than he is in any other European country. Britain also has a much higher proportion of company-owned cars. There is, therefore, far less reason to buy a fuel-saving diesel car than is the case elsewhere.

As a result, diesel car registrations in Britain are only now struggling toward 1 per cent of the total—they were 14,500 last year though this was a 50 per cent increase on 1981. In West Germany, the 335,000 diesel cars sold represented 20 per cent of 1982 registrations. France and Italy were not far behind with 215,000 sales (15 per cent) and 200,000 sales (12 per cent of registrations).

Britain's diesel car total is expected to increase rapidly to a forecast 10 per cent of new registrations in 1995 following the introduction of diesels by British - based manufacturers. Fleets with a buy-British policy no longer have to rule diesels out of consideration. This is a major factor in the trend to increased diesel sales.

Another is the price differential between petrol and Derv (diesel engined road vehicle) fuel. There is now more than 10p per gallon less Excise duty on Derv than on petrol.

But the availability of cheap fuel, pleasing though it is to the diesel car owner, is not the main reason for buying one. The diesel car saves not just because it burns a cheaper fuel but because it uses so much less of it. This is especially true in traffic, when engines are developing only a fraction of their full power. These conditions favour the diesel, which will produce urban miles per gallon figures between 50 and 75 per cent better than those of a petrol-engined equivalent.

A further, if less tangible, advantage is that diesel fuel is lead-free.

On the debit side, diesel cars cost more (list prices are commonly between 5 and 8 per cent higher than petrol equivalents) and need more frequent oil changes. They are noisier, particularly from the outside, after cold starting. Though it is easy to tell a car is a diesel when the engine is idling, at normal speeds it is difficult for even a trained ear to detect the difference. This is especially true of the turbocharged diesel.

The turbocharger is especially beneficial to the diesel engine because it provides much improved acceleration and smoother running without sacrificing any economy. The performance of all diesel cars has improved so much in recent years that they are able to stand close comparison with petrol-engined ones. Any diesel, even the cheapest, can today cruise at speeds well over the 70 mph limit. A select few turbo-charged diesels will cruise in the high 90s and sustain speeds of 100 mph-plus.

At present, only five turbo diesels are available in Britain. These are the Audi 80, Peugeot 505 and 604 (the latter to special order), Rover 2400TD, and Volvo 760. Their prices range from just under £8,000 to £13,650 and all have five-speed manual transmissions. The only automatic diesels sold in Britain are the Mercedes 240 and 300, and Vauxhall Carlton, none of which is turbocharged.

It seems probable that as diesel sales volume builds up in Britain, the importers may be a little more adventurous, adding turbocharged models and automatics to their range. Among turbo diesels available on mainland Europe but not yet in Britain are a Citroën CX, the new Audi 100 saloon and Avant, Renault 30, and BMW 524d.

The Peugeot 505, which represents all that is best in the 1983-type diesel executive car. It is a full five-seater, with plumply comfortable upholstery, electric front windows, central locking and electric sunroof and is listed at £9,300

Its official fuel consumption shows why turbo diesel cars have become so popular on mainland Europe where fuel costs are of prime importance. The 505 SRD does 32.1 mpg in urban driving, 47.9 mpg at a constant 56 mph and 34.9 mpg at 75 mph. A realistic average consumption is in the mid-30s (or 400 miles between fill-ups) and in its long-striding fifth gear it is a most relaxing car.

The same can be said of our own Rover 2400 TD. Powered by an Italian VM four-cylinder, it is not at its most refined at very low speeds but on the motorway it slips along effortlessly and very economically at the kind of speed that is likely to attract police attention.

Power-steered

Nor should the attraction of the diesel car for the lower-ranking executive be overlooked. The VW Passat diesel is now sold in Britain only as an estate; it could do with a larger engine though the VW Golf and Jetta diesels are still in the forefront for performance and economy.

A new 1.9 litre engine and five-speed gearbox have transformed the Peugeot 305 diesel into one of the nicest of its size. The same power plant goes into the Talbot Horizon. Peugeot's 2.3 litre diesel is used by Ford in the Sierra. The power-steered, five-speed 2.3GL is a keen buy at a little over £7,000.

The Renault 18GTD with a 2,068cc diesel is as lively as the standard 1.4 litre petrol-engined 18 though, naturally, less thirsty. Fuel consumption is not perhaps the strongest point of Mercedes diesels, though a 240 manual will reward a careful driver with a figure in the mid-30s. But they feel as though they would last for ever. The Vauxhall Cavalier and Astra 1.6 litre diesels have become even nicer cars since being given five-speed gearboxes, with the two top ratios overdriven.

Ford's Granada diesel, now fitted with the same 2.5 litre engine as Peugeot uses in the 505 GRD saloon and estate, is now worthy of executive use. The old 2.1 was much better suited as a taxi.

After years of sitting on the *sidelines, both Ford and BL* have decided that the diesel car really is here to stay and are planning to take a share of the market. Ford's new small diesel of 1.6 litres capacity is in full production at Dagenham.

BL and Perkins are working jointly to develop and produce on a large scale what may be the most revolutionary passenger car diesel of all — a direct injection unit based on the "O" series four-cylinder petrol engine.

Direct injection promises to refine the diesel still further by reducing noise, especially at low speeds. And it will save yet more fuel. The engine will be in BL cars, including Maestro variants, within two years.

Stuart Marshall

Stuart Marshall gives his views on some of the best new models.

Lively performance—smaller engines

THE LARGE multi-cylinder engined car is dying and will be gone by the end of the decade. Thanks to the onward march of technology, not least in aerodynamics and electronics, the business driver will hardly notice. That is the message from the manufacturers as they have introduced a new generation of fuel-efficient but still roomy and driveable cars.

Two of the most distinguished executive newcomers in the past year have been the Audi 100 and BMW 525e. The Audi 100, Car of the Year for 1983, has a five-cylinder engine of conventional design with fuel injection in its up-market versions. It is very high geared and has the best aerodynamic drag figure of any car in current production.

High gearing

The five-speed manual Audi is exceptionally quiet on the motorway at about 75-80 mph, hardly less so on the autobahn at 120 mph. Yet it will return consumption in the 30s. The problem is that the very high gearing demands a great deal of shifting in give-and-take conditions—even a change down from fifth to third and occasionally second when overtaking slower traffic. An automatic is available, but it lacks the sophistication and economy potential of the BMW's transmission.

The automatic in the BMW exploits the new 2.6 litre Eta engine's massive pulling power at low speeds. Acceleration is a brisk 0-60 mph in 10.4 seconds and top speed a useful 115 mph Yet fuel economy is the same as that of BMW's smallest car, the 316. The 525e is unusually refined and relaxed even by BMW standards.

Another area in which BMW seems to have outdistanced competitors is in electronics for engine management and to reduce servicing requirements. They have eschewed voice synthesisers and visual displays in favour of systems that monitor engine functions with great accuracy and tell the driver when, say, an oil change is required.

Two smaller cars aimed at executive buyers that have impressed me greatly in the past few months have been the new BMW 3-series and the Mercedes-Benz 190. The BMW looks remarkably similar to the car it replaces but is faster, more comfortable, handles with greater security and uses less fuel.

At present, it is only available as a two-door, which limits its appeal slightly to the business user. It also prevents direct comparisons from being made with the four-door only Mercedes 190. The Mercedes, widely tipped as a probable Car of the Year 1984, is of Ford Sierra size and has impeccable roadholding and handling, due to a complex but exceptionally efficient rear independent suspension. It reaches Britain in the fairly near future.

At the time of its introduction Ford hinted that the top Sierra models would be in the Mercedes 190/BMW 5-series class. It is not quite that good in my view, but a great leap forward just the same. Its all-independent suspension brings new levels of comfort to Ford's best-selling fleet car. The XR4i version may not have the panache of a Mercedes or BMW, but its 2.8 litre V6 gives it an urgent performance and it is an agreeably gentle car to drive in town.

BL's Maestro also gives the fleet manager every reason to buy British for junior management. The Vanden Plas and MG versions have excellent interiors and the combination of a 1.6 litre engine and 5-speed Volkswagen gearbox offers more than adequate performance—the MG is good for 111 mph and handles particularly well on its low-section tyres. The LM11 booted variant of the Maestro due in six months, promises to be even more attractive to the executive class buyer.

The Vauxhall Royale, which was imported ready for the road from Opel in Germany anyway, has disappeared. GM's top cars in Britain are being sold as Opels now and the Senator and Monza six-cylinder saloon and coupe are able to look BMW and Mercedes in the eye despite markedly lower prices.

Jaguars remain senior managers motor cars personified though they are now long in the tooth mechanically. The 3.4 and 4.2 litre six-cylinder cars especially do not measure up too well against smaller engined rivals for speed and fuel consumption. But when you get in them, statistical comparisons are forgotten. The Jaguar is still in a class of its own for silence, ride comfort and the atmosphere of a good London club.

It will be a sad day when they go, as go they must in a year or two, and the XJ-40 that succeeds them will have a lot to live up to.

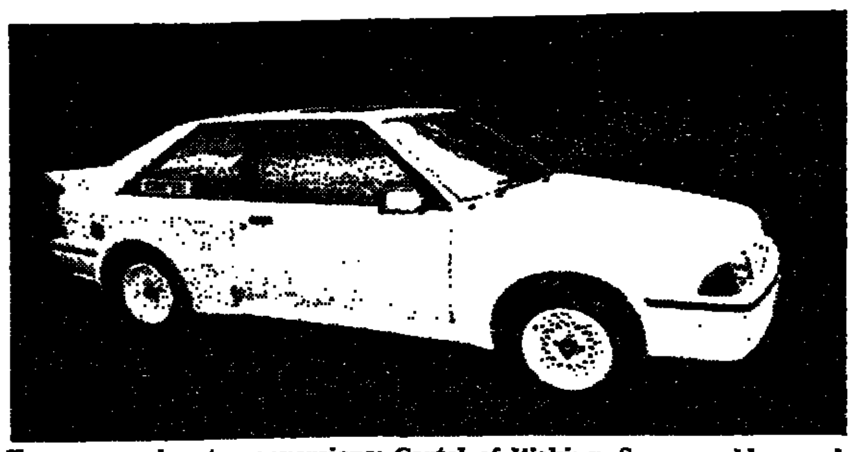
BL's latest high performer, the Rover Vitesse, will see off some costlier German rivals in top speed and handles sharply enough to please a sporting driver. It is a splendid car for the man at the wheel, but passengers feel the lack of a good independent rear suspension.

Panoramic

Volvo's 760 wins no prizes in beauty competitions, but the nearly vertical rear window and vast boot have their practical side. The rear view is panoramic and, for a large car, it is sensationally easy to park. It is a mile-devouring five-seater and handles better than any previous Volvo. Like the Rover, though, it lets you know the rear end is non-independent when you leave motorways for potholed B-roads.

The new four-cylinder turbocharged 760 (and the turbo six-cylinder diesel, for that matter) are butter-smooth performers. It is hard to believe that the petrol turbo is not a six as it eats up the autobahn at two miles a minute.

Turbocharging also works wonders for Saab's no-longer-young four-clyinder engine in the 900. The clever automatic performance control allows a high compression ratio to be retained for lively pick-up in town when the turbocharger isn't pumping air, but avoids risk of pre-detonation when the engine is working hard. Volvo attains a similar end with a massive intercooler on its new petrol turbo.



Two approaches to conversions: Cartel of Woking, Surrey, adds aerodynamic panels to the Ford Escort XR3 for about £500 (left) and, right, Avon Coachwork of Warwick modifies the Volvo 760 GLE by inserting a 300 mm centre section and then retrimming the interior completely, at a cost of just under £20,000.

Conversions for wealthy buyers

QUITE a large corner of the Geneva Motor Show this spring was given over to cars whose parentage could be only dimly discerned beneath add-on body panels, extrovert paintwork and interiors which had been totally retrimmed in velours and hides of often controversial colours.

Among the exhibits, aimed at capturing buyers in particular from wealthy Middle Eastern states were:

● A £50,000 version of the Mercedes 500SEC coupé, with De Lorean-style gullwing doors, flared wheel arches and huge, grand prix-style rear spoiler. Finished in red metallic paint, with gold leather seats, it was produced by a West German specialist, Styling Garage.

● Another such specialist, Zender, had on show a spoilered version of the new Mercedes 190 "small" car and a Mercedes estate with air dams and side-skirts to give a similarly grand prix-style "ground effect."

● Yet another car (Mercedes again) came fitted with a large personal computer (not the dashboard type) and a wine store, to keep the owner refuelled as he relaxes in his pink leather seats.

Mixed in with the more controversial models was a wide assortment of conversions on cheaper cars, from Alfa Romeos to Volkswagens.

More than any other event during the past year, Geneva illustrated that the market for conversion work — to satisfy buyers of cars of almost any price bracket waiting to stand out from the crowd — is undergoing a major revival after spending the 1970s in the doldrums.

The phenomenon is by no means confined to the Continent. In the UK, converters doing substantial business include:

Tickford, an Aston Martin company set up about two years ago and the functions of which include contracting engineering expertise to "outside" companies;

Wood and Pickett, a London-based company which acquired fame in the 1960s with its luxurious Mini conversions and which has maintained a good business, in particular making luxury Range Rovers for Middle Eastern buyers;

Coleman and Milne, which makes about 300 Ford Granada-based limousines a year, starting by chopping them in half and welding an extra section in the middle. The Queen Mother and Prince of Wales are among owners, while BP runs a fleet of 16 for the main board's chauffeur pool;

Crayford, an Essex-based concern specialising in producing convertible versions of saloon cars;

Joint names

Ladbroke Motor Group, whose Avon Coachwork subsidiary is producing estate versions of the Jaguar saloon, and various other upmarket products based mainly on BL vehicles.

To such converters, who are basically selling new vehicles under their and the vehicle makers' joint names, must be added a small army of companies offering "add-on" equipment to achieve similar effects.

The main difference between the current boom and that of the 1960s is the type of customer being aimed at: in the 1960s the target was a young, enthusiastic, and often impecunious motorist anxious to "improve" his Mini or used Cortina. Now the target customers are spread through all sectors of the car market.

It is a phenomenon of which the volume manufacturers are well aware, and which is increasingly being exploited by them and volume car franchise dealers.

There is no better example than Ford. Its just launched high performance XR4i version of the Sierra has a dual role to fulfil: it is expected to achieve 7 per cent of Sierra sales in its own right, and take Ford into opposition with the ilk of other 130 mph car makers such as BMW. But the car, heavily bedecked with air dams and a "biplane" rear spoiler, also is intended to provide a more alluring image for the rest of the Sierra range—a sales pitch which has already worked well down the lower end of the range with similar versions of the Escort and Fiesta.

It works by using the XR models by draw customers into the showrooms, and creating the feeling that some of the image still sticks as they sign the cheque for a more mundane version. Dealers can then help them to achieve a better compromise, by providing the add-on equipment. Swale Motors of Sittingbourne, Kent, for example devised its own add-on package of coachlines, wheeltrims and other parts to create the Sierra Nevada which, it says, led to a Sierra a day being sold to customers who otherwise would not have bought one.

And Richard Grant Accessories says it has received numerous calls from dealers wanting to offer packages which, cosmetically at least, would allow customers to take their cars upmarket.

Mercedes, however, has been slightly taken aback at the interest increasingly shown by converters in its product range over the past few years.

The company which has had the biggest impact is AMG of West Germany, whose conversions are now cult and are being carried out in the UK by concessionaires Strattons of Wilmslow. AMG is now building 1,500 converted Mercedes a year, with a 60-man work force at Affalterbach, near Mercedes' Unterturkheim headquarters.

Different

AMG's volume jumped by a third last year, and is still increasing. It does not claim to improve Mercedes' engineering, but to offer something different, against the trend of cars becoming increasingly similar in appearance.

The lengths to which some customers wish to go sometimes surprises even AMG. One wanted the latest 500 S class car's engine and running gear—with the engine tuned for higher performance—inserted under the skin of a 1950s "gull-wing" 300SL coupe. The final cost was well over £100,000.

The mainstream of the business, however, lies in a rather more aggressive body line than the original, conservatively-styled product — achieved by means of add-on panels—engine, wheel and suspension changes, at an average cost of about £9,000 on an S-class car. Many other people settle for the cosmetic body changes, however—a mere £1,200.

Strattons' view is that the majority of people in the UK want their cars simply to look different; its director, Mike Hinde, told Car magazine recently that a new £400,000 workshop is being added to handle expanding business.

A wholly British concern, Ladbroke Motor Group, is undergoing the same kind of expansion. Apart from its Jaguar conversion, there are luxury and turbo-charged versions of the Triumph Acclaim (taking it into the £8,000-plus bracket) and Vauxhall Astra, and a limousine version of the Volvo 760. But sales generally have not gone as well as hoped, for which Ladbroke's chairman, Graham Hudson, blames the recession.

They are going well enough for Ladbroke to be in the process of moving from the small, cramped buildings which once housed production of now-obsolete Avon cars — well known in the 1920s and 1930s—into £750,000 premises at Leamington Spa, which will bring together all Ladbroke operations (it has extensive Volvo franchise and crash repair interests) on to a three-acre site.

Tickford, with perhaps the best pedigree in the business given its outgrowth from Aston Martin, is also poised for expansion.

Just-appointed managing director Stephen Rawlinson—until recently company secretary of CH Industrial, joint owner of Aston with Pace Petroleum—says the Milton Keynes-based concern has "huge potential."

Tickford's product includes an £11,000-plus turbo-charged version of the Metro, and a more recently launched cheaper version — at £7,505.

John Griffiths

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Friday September 16 1983

Trading in Stanbic suspended

By J. D. F. Jones in Johannesburg

TRADING in the shares of Standard Bank Investment Corporation (Stanbic), was suspended on the Johannesburg stock exchange yesterday at the company's request. The suspension is expected to remain in force until Monday.

Executives of Stanbic, South Africa's second-largest banking group, have not given any reasons for the suspension request. However, directors of competing banking groups say that Stanbic may have contravened the provisions of the Banks Act at the end of August, when it increased its stake in the insurance holding company, Liberty Holdings.

The Banks Act says that a banking company cannot own 50 per cent or more of an insurance company. At the end of August, Stanbic announced that it was issuing 6.7m new ordinary shares and was paying R24.2m ($21.7m) cash to double its 25 per cent interest in the holding company.

Liberty Holdings owns 52 per cent of Liberty Life, which is South Africa's third largest insurance group.

Wintershall expects lower refining loss

By John Davies in Frankfurt

WINTERSHALL, the West German oil, gas and chemical subsidiary of BASF, expects to cut its losses on oil refining this year, but sees no basic turnround in this problem area.

Herr Heinz Wüstefeld, chief executive, said oil refining losses should amount to more than DM 200m ($74.5m), compared with more than DM 300m last year.

He said prices of oil products had stabilised after a drastic fall under strong competitive pressure in the first quarter of this year. Even so, refining operations were still losing between DM 25 and DM 30 a tonne.

Salzgitter loss put at $234m

By Our Financial Staff

SALZGITTER, the West German state-owned steel and industrial group, expects to run up losses of DM 630m ($234m) this year, according to the Finance Ministry.

The ministry said that more than DM 300m of the total would be incurred by the company's shipbuilding unit, Howaldtswerke Deutsche Werft. For the year to September 30 1982, Salzgitter reported net losses of DM 44.9m, down from the DM 388m of the previous 12 months.

As Industry Minister Laurent Fabius considers asset swaps, **Paul Betts** looks at the options and the stakes

France's vital decision could reshape industry

THE FRENCH Government is sitting on a hornets' nest of choices that will affect the future shape of French industry. M Laurent Fabius, Industry Minister, must decide soon whether to approve a complicated series of asset swaps between leading French nationalised and private industrial groups.

If approved, the swaps will entail a major restructuring of the country's electronics and telecommunications sectors with important ramifications into other sectors, including the domestic nuclear and steel industries.

At the heart of the matter are talks between the country's two leading nationalised electronics conglomerates, the Thomson group and Compagnie Générale D'Electricité (CGE). After intense and secret negotiations between the two state groups' chief executives a bargain appears to have been struck.

Thomson, which lost FFr 2.2bn ($271.4m) last year, is willing to shed its lossmaking telecommunications operations to CGE to try to short-cut its uphill road to recovery.

In return for becoming the country's dominant telecommunications manufacturer and fulfilling a long-sought dream, CGE would pass on to Thomson its military division and its interests in components and consumer electronics.

The two companies believe this swap will help them reach the critical sizes in key high technology and electronics sectors to enable them to compete adequately in the international market.

M Alain Gomez, Thomson's chairman, has consistently sought major industrial alliances to strengthen his group. In the consumer electronics sector, Thomson this year acquired Telefunken of West Germany and signed a major videocassette recorder (VCR) agreement with JVC of Japan after its attempt to buy Grundig collapsed.

The CGE consumer electronics operations would further help Thomson enlarge its base in this sector.

Thomson's military electronics business would be strengthened by the takeover of CGE's Sintra military subsidiary. M Gomez would also unburden himself of the heavy costs of his telecommunications division if these operations passed to CGE.

Like other heads of nationalised state groups, M Gomez is under increasing pressure from M Fabius to return his company to profitability. Indeed, M Fabius again warned nationalised industry bosses publicly this week that he wanted to break-even by 1985 and that the renewal of their mandates would hinge on their management performance.

For M Gomez, telecommunications and Thomson's medical equipment business have been the group's biggest financial drains. He has sought to sell the medical business, which is particularly mature, but has found no takers. General Electric of the U.S. was one of the groups Thomson approached.


M Laurent Fabius

With the prospect of having to keep the medical equipment business, M Gomez appears to have decided to shed his telecommunications operations, despite the long-term growth potential of this sector.

Unlike Thomson, CGE is one of the few profitable nationalised French groups and makes money out of telecommunications. M Georges Pebereau, its managing director and chairman of CGE's telecommunications subsidiary, Cit-Alcatel, argues that telecommunications companies must be able to spend $200m a year to develop the new generation of telecommunications equipment for the 1990s if they are to remain at the forefront of international competition.

In France there is no group, not even Cit-Alcatel, able to spend that sort of money at present.

To stay in the race with the likes of American Telephone and Telegraph (AT & T) of the U.S. and the other leading international telecommunications groups and negotiate major advances, CGE believes the French telecommunications market must be rationalised by creating essentially one dominant manufacturer, rather than having three competing companies such as Cit-Alcatel, Thomson and CGCT, the crippled former French telecommunications subsidiary of ITT of the U.S.

M Jean Pierre Brunet, CGE's chairman, said yesterday that this strategy was both in the national interest and in the interest of the groups.

Attractive as the industrial logic of the Thomson-CGE carve-up may be, M Fabius faces an extremely delicate decision. The French PTT and telecommunications authorities are fiercely opposed to the emergence of one single French telecommunications supplier.

They have long argued the case for competition in the domestic telecommunications industry and fought, successfully so far, attempts by some senior Socialist administration officials to set up a single national telecommunications group called Téléphones de France. CGE and Thomson are now proposing to set up just that.

There is also concern over the proposed assets carve-up within the two nationalised groups themselves.

The labour unions are worried that the proposed telecommunications restructuring will inevitably involve additional layoffs at a time when several major companies, including Peugeot, are planning large-scale redundancies.

CGE is also playing another big game of industrial Monopoly with the private Empain-Schneider group.

Creusot-Loire, the financially troubled engineering subsidiary of Empain-Schneider, is trying to shed its lossmaking steel operations to the French nationalised steel sector and considering selling part of its 70 per cent stake in Framatome, the French nuclear reactor company.

M Brunet confirmed yesterday that CGE would like to acquire a stake in Framatome.

This move would again fit CGE's strategy to transform itself from a sprawling conglomerate into a group whose operations are concentrated in three or four key sectors.

M Brunet argues that a direct partnership between CGE's engineering subsidiary, Alsthom Atlantique, also involved in the reactor business, and Framatome would ultimately strengthen the international competitiveness of the French nuclear sector, especially when bidding for international contracts.

As in the case of the PTT and the proposed restructuring of the telecommunications business, however, Electricité de France (EDF), the French electric utility, is not keen to see the concentration of the French nuclear sector around a single group; and in EDF, M Fabius faces possibly the single strongest voice in France's powerful energy lobby.

The Thomson-CGE and the Empain-Schneider-CGE negotiations, if they succeed, will represent the climax of a process of consolidation in French industry this year.

Saint-Gobain, the nationalised diversified glassmaker, has been moving into the water supply and public works business with its controversial acquisition of a 20 per cent stake in Générale des Eaux and its decision to acquire a 25 per cent stake in Société Générale d'Enterprise from (inevitably) CGE.

The proposed new asset swaps and the restructuring of the French telecommunications and nuclear engineering industry would clearly mark the most dramatic development in French industry since nationalisation after the left came to power two years ago.

Ogden in shipping spin-off

By William Hall in New York

OGDEN Corporation, the U.S. conglomerate, is planning to spin off Ogden Marine Inc (OMI), the second biggest independent bulk shipping company in the U.S. to its shareholders. The spin-off will take place in late December or early next year.

OMI operates a fleet of 29 ships totalling 1.78m deadweight tons, including 18 tankers, five bulk carriers, three car/bulk carriers, two liquefied petroleum gas vessels and one ore/bulk/oil carrier. OMI's net income totalled $20.8m on sales of $226m in 1982. The company accounts for around a third of Ogden's group net income.

Ogden says that its current strategy is to emphasise activities which are not debt intensive, capital intensive or cyclical and the spin-off of OMI fits in with its policy of concentrating on service businesses.

The move, assuming it goes through, will eliminate a substantial amount of debt from Ogden's balance sheet and improve Ogden's ratio of long term debt to equity from 1.06 to 0.67. OMI currently accounts for close to two thirds of Ogden's net fixed assets and 47 per cent of its long-term debt.

New IBM models put heat on rivals

BY LOUISE KEHOE IN SAN FRANCISCO AND PAUL BETTS IN PARIS

IBM, the world's largest computer and office equipment company, increased pressure on its competitors in the mainframe computer markets yesterday with the announcement of two new mid-range processors and price cuts on existing models. IBM launched its Glendale 4361 and 4381 processors which plug the performance and price gap between the five year old IBM 4300 series and the higher performance 3080X computers.

Shipments of some versions of the 4361 processor are scheduled to begin in the fourth quarter of 1983 and to become generally available early next year. The more powerful 4381 will be shipped next year.

The 4381 runs IBM's newest operating system for large computers, the so-called "extended" architecture which had previously been available only on more powerful and expensive machines. Purchase prices for the 4381 will range from $370,000 to $620,000.

The 4361 offers up to three times the performance of IBM's currently available 4331 in commercial applications. Prices will range from $150,000 to $275,000.

IBM also announced price cuts of up to 12 per cent on its existing computer range processors.

According to industry analysts, the IBM price cuts and the aggressive pricing of its new model will force competitors to cut their prices.

The company has also announced the development of an experimental 512K RAM (Random Access Memory) chip capable of storing up to 524,288 separate items of information.

The new chip appears to leapfrog the latest 256K chip design, which is only just becoming commercially available. IBM's chip uses "plate-pushing" technology, which IBM says produces an electrical current twice as large as conventional data-reading methods, enabling the chip's density and reliability to be increased while maintaining high performance.

The new chip, in its experimental format, measures 7.96mm by 8.6mm. IBM said it can also be operated so that one, two or four items of data can be available simultaneously.

Dr Pepper seeks new debt cure

By Gordon Cramb in New York

DR PEPPER, the third largest U.S. soft drinks manufacturer, which last year bought Canada Dry for $143.8m, is exploring a possible merger or a debt restructure which may lead to the sale of some of its assets.

The Dallas-based company said yesterday it had engaged Lazard Freres, the investment bankers, to consider plans of action, but stressed that no transaction was pending.

It also forecast "dramatically improved" third-quarter earnings. For the three months to September 30 last year Dr Pepper reported net income of $2.5m or 12 cents a share, while second-quarter profits this year were down from 48 to 26 cents a share.

Funds generated by a reshape would support development within the company, it said. It had been approached by "other consumer product companies" with potential bids but had followed up none of them.

Philadelphia Savings raises $360m

BY OUR NEW YORK STAFF

THE PHILADELPHIA Savings Fund Society (PSFS), the oldest and biggest savings bank in the U.S., is raising $360m through one of the largest ever initial common stock offerings in the U.S.

The PSFS, with assets of more than $10bn the biggest bank in Philadelphia, is the latest in a growing list of U.S. savings banks which are dropping their mutual status and converting to public share ownership.

With falling interest rates there has been considerable investor interest in the stock offerings by savings banks, of which there have been more than 20 so far this year. The savings banks have also been anxious to follow this trend, since as mutual institutions they were unable to raise new capital from their depositors. With the increasing variety of services they are now able to offer as a result of deregulation of their industry, the new capital will enable them to diversify.

The climate for savings bank shares has deteriorated, however, since PSFS first announced in May its intention to go public. As a result instead of the $480m to $640m it had hoped to raise, it has only been able to attract $360m.

This is still the second biggest stock offering by a U.S. thrift institution and only slightly less than the $387m raised by the California Federal Savings and Loan

Metal prices lift Preussag

By John Davies in Frankfurt

PREUSSAG, the West German metals, energy and transport group, has received a boost in profits in the second quarter of this year.

The company said in an interim report that its results had been given a lift by higher prices for zinc and silver and by increased sales of coal and gas. Lower prices for lead had dampened the improvement.

Preussag gave no details of its latest results, other than to describe them as better than in the corresponding period a year ago.

INTL. COMPANIES & FINANCE

Government warning on Fairfax bid for Syme

By Michael Thompson-Noel in Sydney

MR JOHN CAIN, the Premier of Victoria, warned yesterday that he might intervene in the bid by John Fairfax, the Sydney media group, to gain full control of David Syme and Co., publisher of The Age newspaper of Melbourne.

Fairfax said on Wednesday it had agreed to raise its shareholding in David Syme from 57.5 per cent to more than 70 per cent at a cost of A$5.7m (U.S.$5m), having bought most of the shares held by the Syme family.

Its A$3.80 a share offer values Syme at A$45.6m, and would cost Fairfax just under A$20m.

The other big shareholder in Syme is the Herald and Weekly Times group, with a stake of about 14 per cent.

Mr Cain expressed "serious concern" at what he saw as a further narrowing of media control in Australia, and said there were "very wide and considerable powers to block the transaction."

He added: "A number of options, including legislation, are open to the Government, and we will be considering these and make a decision in the next few days."

However, Mr Jeff Kennett, leader of the Victorian Liberal Opposition, criticised the Premier for "putting his sticky socialist fingers into an area where the Government does not belong."

Mr Creighton Burns, editor of The Age, said: "I share (the Premier's) concern about the increasing industrial concentration in the Australian newspaper industry, but I am afraid that to reverse that trend is too late."

Chris Sherwell in Jakarta reports on a financial revolution

Money floods back to Indonesia

AT LUNCHTIME on June 1 this year, the heads of banks and financial institutions operating in Jakarta received a telex asking them to attend an important meeting at Bank Indonesia, the central bank, that afternoon. Few of them had any idea that three hours later, a minor revolution would be under way.

A number of liberalising reforms took effect that Wednesday with the over-riding aim of mobilising domestic savings. In a sweeping move, the Government announced, among other things:

● The removal of ceilings on interest rates which the five state-owned commercial banks could offer on rupiah time deposits.

● An exemption from tax for interest earned on time deposits denominated in foreign currencies (matching an existing rule regarding rupiah deposits).

● The removal of all quantitative ceilings on bank loans.

Fifteen weeks later, the impact appears little short of stunning, with the latest figures from Bank Indonesia, covering the period only to the second week of July, showing an explosive growth in three-, six- and 12-month deposits with the state-owned banks, which completely dominate Indonesian commercial banking. Economists reckon the trend has continued since.

Interest rates on time deposits meanwhile stand at 15-18 per cent, having previously been fixed at a maximum of 13½ per cent for 24-month money. This free market level, quickly reached under a watchful central bank eye, is slightly too high, according to some private sector bankers, who add that there are signs it could weaken a little. Either way, it translates into an effective pre-tax return of a healthy 34 per cent.

The reforms are also believed to have attracted back a substantial part of the capital which fled Indonesia earlier this year, taking advantage of the rupiah's free convertibility.

TIME DEPOSITS WITH INDONESIAN STATE BANKS (Rupiah bn)

Period	3 months	6 months	12 months	24 months
January '83	3.4	12.2	39.1	857.1
February	3.4	11.4	40.4	849.5
March	3.6	11.6	42.3	848.3
April	3.3	11.2	42.6	838.8
May	8.1	26.9	42.2	835.6
June	129.6	119.3	111.9	763.2
July week one	146.2	133.4	137.9	753.0
week two	179.1	134.8	152.7	744.6

Source: Bank Indonesia

This occurred particularly in the days and weeks ahead of the 27.5 per cent devaluation of the rupiah at the end of March.

The money has been attracted back not only by the high interest rates on rupiah deposits but also by the tax exemption on foreign deposits. Thus, dollars have been returning from nearby financial centres like Singapore and have swollen both rupiah time deposits and the local dollar market, although rates on the latter are less than the Singapore inter-bank offered rates (Sibor).

Further consequences of the liberalisation have been felt on the fledgling capital market, mainly to its detriment. With high interest rates available at the banks, institutions have felt even more disinclined to pick up new share issues on the stock market, where the return is less.

Indeed, encouraging activity on the seven-year-old stock market (where the 18th public issue closes next week and another five companies hope to go public over the next six months) cannot easily disguise some continuing problems which the Government is having difficulty in coming to grips with.

Only two of the existing listed companies, for example, have actually managed to meet the projections they gave at the time they went public, and share prices—against the trend elsewhere—have weakened. The poor performance is partly a simple result of the recession but some of the companies have faced special problems. The tobacco company, PT BAT Indonesia, for example, has found it impossible to maintain its market share against the interests behind the Kretek Clove cigarette industry.

Reinforcing the disincentive caused by the relatively poor returns has been the Government's own approach in trying to build up the markets, emphasising stability of prices (only a limited daily change in price is permitted) rather than free trading. The aim is to prevent gambling and speculation—the very risk element which many outsiders regard as an essential ingredient.

To be set against this is the Government's decision this month to allow the state authority which builds toll roads, PT Jasa Marga, to issue its second five-year bond with a more attractive coupon of 16.5 per cent and, for the first time, with no withholding tax on the interest payments.

Although government institutions have still had to be encouraged to take it up, for financial institutions it represents a way of producing a tax-free income. This is because they are not permitted to invest in bank time deposits. But holders of the previous Jasa Marga issue, which had a lower coupon and no liberal tax provision, are believed to have traded in their holdings for the new issue. The price of the earlier bond—the first domestic bond issued by a state-owned company—has thus suffered.

In a country where there is effectively no government paper, the financial institutions remain under pressure to support the capital markets. But many are too small, and most of the responsibility lies with PT Danareksa, a large state organisation which is effectively a national investment company established to spread share ownership among lower income groups.

The company has the right of first refusal on at least 50 per cent of any new issue, and either sells bearer certificates to the public in small denominations or places shares in a mutual fund and sells stock units. But supporting a weak market appears to have become too burdensome and even the issuing of certificates is now believed to have stopped.

A key weakness is the absence of secondary market activity, and here again the financial institutions are believed to be involved in discussions with the authorities regarding ways to stimulate the secondary market. But developments seem likely to depend on the primary markets becoming more attractive places to operate.

The state bank's biggest problems at the moment concern the product deployment of the funds they have attracted. The recession has taken such a hold that outlets are few, while the past pattern of putting funds in dollar deposits is not encouraged by the Government.

Other questions also remain. While the old days of cheap "liquidity credits" at the central bank and of credit ceilings are over, it is still unclear exactly how Bank Indonesia will wield the monetary instruments, which are so familiar elsewhere, to control credit and the money supply. The talk is of a new rediscounting policy and the use of penal rates.

Secondly, while the mobilisation and more efficient allocation of resources is under way, it seems unlikely to have any practical effect until the recession passes. Having completely reoriented the banking environment in Indonesia, the central bank must reflect happily that it has picked the right moment to make its move, if somewhat ruefully at the recession's toll.

State takes Alcoa smelter stake

BY OUR SYDNEY CORRESPONDENT

ALCOA of Australia, the country's largest aluminium concern, and the Government of Victoria, are to take a 25 per cent equity stake each in Alcoa's mothballed A$1bn (U.S.$880m) Portland aluminium smelter, in the hope that equity partners can be found to shoulder the remaining 50 per cent.

Work on the project was suspended last year, Alcoa citing depressed world aluminium prices and Australia's declining competitiveness as an aluminium producers.

A package deal will be offered to potential partners. The state Government's belated involvement in the project implies that it has settled its differences with Alcoa over power pricing.

In Melbourne, it is estimated that Alcoa was formerly holding out for a tariff of about 2 cents a kilowatt hour, against one nearer the 2.5 cents demanded by the State Electricity Commission of Victoria.

However, the details released yesterday were extremely meagre.

Mr John Cain, the Victorian Premier, said: "Agreement has been reached between the (state Government and Alcoa on a package to be put to the third parties."

But the Liberal Party opposition said Mr Cain's announcement was a "smokescreen and an insult to Victoria." After 17 months, said the Liberals, the Cain Government had simply "negotiated an agreement with Alcoa for more negotiations."

When Alcoa (51 per cent owned by Aluminum Company of America) suspended work on the Portland smelter last year, its chairman, Sir Arvi Parbo, said the project had already cost A$250m, and that the last thing Alcoa wanted was to have to "walk away."

Last month, Alcoa said it would start operating its new A$320m alumina refinery at Wagerup, south of Perth.

Wagerup has been mothballed since mid 1982. It has an initial capacity of 500,000 tonnes of alumina a year, and will boost Alcoa's capacity in Western Australia from 3.8m to 4.3m tonnes annually.

In the June half, Alcoa's net profit plunged by 49 per cent to $A19m, almost half of it, or A$9m, resulting from the devaluation of the Australian dollar last March.

UK COMPANY NEWS

T & N makes near £5m profit midway

FIRST HALF 1983 performance by the Turner & Newall group is described as encouraging. There has been a return to profit, mainly because of substantially lower interest charges and better UK operating results.

However, asbestos health claims and associated litigation costs "remain a drain on profitability." In the U.S. efforts have been made to settle claims as expeditiously as possible in the interests of minimising costs.

For the first half the operating profit moved ahead from £13.6m to £16.1m. After provision for asbestos claims, £3.8m (£3.1m), and net financing charges of £8.8m (£12.8m) there is a balance before tax of £4.9m, compared to a loss of £4.5m in the corresponding period. This had grown to £19.3m at the 1982 year-end, after £6.4m claims provision and net financing of £24.3m.

Despite the effects of recession in parts of Africa and India, and the dislocating effects of major changes in the UK trading results in the second half are expected to show a "modest improvement" over the first.

Sir Francis Tombs, chairman, says interest charges were reduced as borrowings fell, stemming partly from the sale of Hunt Chemical in March and partly from a "determined attack" to reduce working capital.

In the UK net borrowings fell from £100m to £40m, and group net borrowings were cut from £138m to £68m, reducing the debt/equity ratio from 55 per cent to 27 per cent. Pressure on working capital will generate some further reduction in borrowings by the year end, but the bulk of future cash inflows will have to come from operating profits.

Stock reductions, particularly in the UK, have necessarily impaired short-term performance, but management controls have been tightened and manning reduced further. During the six months the UK workforce fell from 12,153 to 9,776, of which 1,270 was the result of disposals and the rest to consolidating operations.

Sir Francis tells members that there are small signs of recovery in most of the trading areas in the UK, but "we are not relying upon such improvements and will continue to direct our efforts towards reducing manufacturing costs, improving product quality and increasing market share."

The U.S. manufacturing operations are buoyant, due primarily to improved operating efficiency.

Operations in much of Africa and in India are feeling the effects of the world recession and severe drought. However, results from the Zimbabwe manufacturing group are encouraging and some limited progress has been made towards restoring the profitability of the mines there.

After tax £3.9m (£6.3m) and minorities £700,000 (£1.1m), the net profit for the first half came out at £300,000 (loss £11.9m). Taking in extraordinary credits of £6.7m brings the available balance to £7m. Earnings are shown at 0.27p (loss 10.95p) and

Sir Frank Tombs, chairman of Turner and Newall

the interim dividend is held at 0.25p net per share. No final was paid in 1982.

Group sales to third parties totalled £354.5m, against £328.3m, and included £265m (£263m) from continuing activities. A geographical split of the sales and operating profit (£16.1m against £13.6m) shows: UK £143m (£184m) and £4.6m (£2.8m); other European £22m (£35m) and £0.9m (loss £0.9m); Africa £55m (£79m) and £7.1m (£8m); North America £30m (£43m) and £1.6m (£1.4m); India and Pacific 28m (£24m) and £1.9m (£2.3m).

A divisional summary shows: plastics and chemicals £46m (£109m) and £2.8m (same); automotive components £103m (£106m) and £6m (£1.5m); construction and industrial materials £108m (£111m) and £6.1m (£9.5m); mining £21m (£39m) and £1.4m (nil).

Disposals during the period resulted in an extraordinary net profit of £11.7m. In addition to the sale of the 63.4 per cent holding in Hunt Chemical, disposals included the 50 per cent interest in Coopers Mechanical Joints (Australia) and a gasket company in Canada. Two loss makers were also divested, one in Korea by closure and the other in Belgium by sale, provision for both having been largely made in the 1982 accounts.

This profit provided an addition to company's depleted reserves, but it has been partially offset by a £5m provision for writing down a number of redundant manufacturing facilities, a review of which is under way.

The chairman says the strategy of the group does not rely upon making further major disposals, but is concentrated upon making the core businesses profitable. "While much remains to be done, encouraging progress is being made in all companies," he says.

At June 30, shareholders' funds were shown at £240.3m, compared with £235.1m at December 31 last.

See Lex

Italian side hits Barrow Hepburn

PRINCIPALLY because of a reduced performance in the Italian subsidiary Rizzi, pre-tax profits of engineering, rubber, hide concern, Barrow Hepburn Group fell from £520,000 to £409,000 for the first six months of 1983.

Luigi Rizzi (specialist manufacturer of high quality processing machines for hide and skin tanning industry), had to bear the start-up costs of introducing three new models into its range during the period, the directors explain.

Turnover amounted to £15.5m, compared with £19.15m, but the directors point out that adjusted for companies sold, the figures were similar.

The interim dividend is maintained at 0.8p net per 25p share last year's final distribution was 1.4p and pre-tax profits were £865,000.

Operating surplus for the half year was behind at £519,000 compared with £627,000 and net interest payable was £110,000, against £107,000.

Tax charge was £161,000 (£155,000), including £137,000 (£23,000) for UK, and after preference payments of £39,000 (same) the earnings attributable came through behind from £326,000 to £209,000. Earnings per share are shown as 0.82p, against 1.37p.

John Lewis ahead £10m at interim stage

Higher contributions from both the department store and Waitrose supermarket divisions resulted in a £9.7m advance to £25.4m in first half trading profits of the John Lewis Partnership.

Department stores accounted for £5.9m of the increase and Waitrose supermarkets £3.8m, with sales improving £36m and £35m respectively. Total sales, including VAT, for the period were £490m against £417.7m.

For the year to January 29, 1983 trading profits were £50m (£44.8m) from sales of £922.2m (£810m).

After pension fund contributions of £3.1m (£2.8m), and interest £2.4m (£3.3m) the surplus available for profit sharing, and subject to further tax, emerged more than doubled at £19.5m against £9.2m.

Liverpool Post £2.3m halfway

FIRST-HALF taxable profits of Liverpool Daily Post and Echo moved ahead to £2.3m, against £1.85m, and the interim dividend is lifted by 0.2p to 3.9p.

Turnover for the 26 weeks to June 25 1983 was £32.59m compared with £31.9m. Earnings per 50p share were 10.5p against 6.9p after tax of £1.12m (£1.07m).

During the half year the group acquired three small community newspapers in Pittsburgh, U.S., and wrote off the related goodwill. Also a specialised but loss making papermill at Bolton and its associated finishing plant were closed. At Liverpool Daily Newspapers a programme of rationalisation including voluntary severance was effected. These actions resulted in extraordinary items of £1.913m (£315,000).

The directors say that overall, earnings from UK newspapers were slightly lower. While papermaking experienced a very poor start to the year it managed to significantly improve second quarter earnings in the wake of the closure of the loss-making papermill. With the packaging companies maintaining their steady progress, this division achieved record second quarter profits.

The hoped for improvement in economic conditions in the Canadian company's markets started to show through during March. With recent investment in advanced technology restricting marginal production costs, the subsequent small gains in advertising volume and the paid circulation helped to generate record profits.

They say that in the U.S., for which the local economic climate has been slow to improve, earnings have progressed in response to past management attention in Pittsburgh and the first steps in production rationalisation in South Chicago. Results from the North American operations were up by over 80 per cent, partly due to favourable exchange rates.

During the last 12 months, newspapers have benefited from stability in the price of newsprint. However, this favourable state of affairs may not continue for too long, particularly in North America, they add.

In the UK, against the background of a comparative weak Merseyside economy, the drive to secure market share for company's newspapers continued. This will be further demonstrated this autumn by the change to tabloid format of the Liverpool Echo and the launch of a free newspaper in conjunction with United Newspapers in St Helens. The associate costs will limit second half earnings in this sector, they say.

London Shop Prop.

Pre-tax profits of London Shop Property Trust increased from £3.42m to £4.72m during the year to April 30 1983.

Apart from listed investment income, down from £135,000 to £118,000, all other areas recorded improvements.

Property revenue rose by just over £1m to £5.99m, property and investment trading was up at £220,000 against £135,000, and housebuilding lifted its contribution from £228,000 to £549,000. The taxable result was struck after interest of £2.16m (£2.06m).

The final dividend is lifted 1.25p to 4.25p which, with the higher interim payment, raises the total to 5.75p compared with 4.25p.

Tax for the 12 months took £1.7m (£690,000), minorities were £27,000 (£11,000), and there was an extraordinary debit this time of £22,000 (credit £72,000).

Basic earnings per 25p share are given as 9.4p (8.9p), and 9p (8.3p) fully diluted.

Magnolia rises

Pre-tax profits of Magnolia Group (Mouldings), picture-frame mouldings concern, moved ahead from £311,000 to £330,000 for the first half of 1983, but the interim dividend is maintained at 0.6 per 10p share.

Sales rose by £1m to £5.06m and although there was a higher trading loss overseas of £87,000 (£13,000), profits from UK operations exceeded budgets and amounted to £397,000 compared with £324,000.

The directors are cautiously optimistic that overall UK results of the second half will be at least as good as those now reported.

Tax charge for the six months is given as £206,000 against £161,000 and there was an extraordinary debit, for the period, of £33,000.

Sale Tilney first half advance

A £100,000 RISE in pre-tax profits for the half year to end-May 1983 and expectations of a "reasonable improvement" in figures for the full year are reported by Sale Tilney.

On turnover up from £31.44m to £32.52m profits reached £805,000 and the interim dividend is being increased by 0.5p to 4.25p net per 25p share—a final of 5p was paid for the 1981-82 year from taxable profits of £1.81m.

The food division, though experiencing intense competition, is continuing to expand in manufacturing and the industrial sector is beginning to see its order books increase as new machines come on to the market.

The insurance division is producing significant growth in profits which is expected to continue.

Sale Tilney intends to form a company in the Isle of Man with an issued and paid-up share capital of £2m divided into 500,000 ordinary of £1 and 1.5m. 5 per cent redeemable preference. The capital will be entirely funded from resources already available to the group.

The directors say approval of ordinary shareholders is required and notice convening an EGM has been issued. They point out that they are confident that the new company "should produce additional worthwhile profits" and unanimously recommend shareholders to approve the resolution.

Tax for the first half took £153,000, against a previous £101,000 and minorities accounted for £21,000, compared with a credit of £27,000.

There was also an extraordinary debit of £108,000 (£1.18m credit), being an estimated net loss on the disposal of Sintered Glass Products. When the disposal is completed, the directors expect this loss to be eliminated.

Dowding & Mills

Taxable profits of electrical and mechanical engineer Dowding and Mills improved by £300,000 to £1.95m for the year to end-June 1983 and with earnings ahead by 1.26p to 4.63p per 10p share the dividend total is being stepped up from 1.87p to 2.15p net by a final of 1.29p.

The new financial year has started "reasonably well" with a "modest" improvement during the first two months' trading.

Turnover for 1982-83 rose to £18.1m (£16.76m). Tax charge was lower at £546,000 (£624,000).

Highcroft Inv.

The interim dividend from Highcroft Investment Trust is being lifted from 1.25p to 1.4p net in respect of 1983.

In the first half of the year revenue rose from £118,000 to £135,000, subject to tax of £62,000 (£55,000). Earnings are shown at 2.66p (2.31p).

Trafford Park Estates

Second half pre-tax profits at Trafford Park Estates rose from £1.08m to £1.22m, and figures for the full year to June 30 1983 improved from £2.16m to £2.29m. Group turnover fell, however, from £5.34m to £5.17m.

The final dividend is raised from 5.25p to 6p net for an increased total of 9.25p compared with 8.25p. Stated earnings per 25p share were 14.88p against 13.68p.

Tax for the year was little changed at £649,571 (£645,297), leaving attributable profits higher at £1.59m (£1.46m). Last year there was an extraordinary item of £25,004.

George Oliver £29,000 in black

PROFITS FROM property sales, up from £199,000 to £223,000, has left footwear distributor George Oliver (Footwear) £29,000 in the black at the pre-tax level, for the first half of 1983, compared with losses last time of £68,000.

The interim dividend is increased from 1.32p to 1.45p net per 25p share—last year's final payment was 4.68p and total taxable profits amounted to £1.43m.

Sales for the six months rose from £14m to £15.45m. Since June, sales have benefited from the prolonged spell of summer weather and the board approaches the autumn and Christmas trading periods with confidence that the reconstructed company is new well able to secure its market share.

The directors explain that a sales increase of 10 per cent for the first half was below expectations, the shortfall being largely due to the very wet spring and early summer, with the continuous rain severely depressing the sale of spring merchandise.

Property rationalisation which started in early 1982 has continued and a further 11 branches were closed during the half-year, six in towns where the company had dual representation and five unprofitable ones.

In addition, Oliver re-located in Worcester and Clacton and modernised a further 12 units. The building of the new head office and warehouse commenced in April.

Tax charge for the half year took £22,000, compared with a £44,000 credit, and there were extraordinary credits, much lower at £18,000 (£913,000).

Keep Trust

As anticipated, the Keep Trust traded profitably in the six months to June 30 1983 returning figures of £236,000 at the attributable level, compared with losses of £77,000 for the same period last year and a full-year deficit of £441,000.

The interim dividend is being omitted—last time 0.15p was paid but the final was also passed. Earnings for the half year amounted to 0.6p (0.2p loss). The group has interests in investments, motor trading and engineering.

RESULTS AND ACCOUNTS IN BRIEF

COMMONWEALTH DEVELOPMENT FINANCE CO.—Pre-tax profits for the year to the end of March 1983 £2.01m (£1.68m), tax £525,000 (£508,000), net profits £1.48m (£1.17m), provisions for losses on investments [illegible]. Meeting: 1, London Bridge Walk, SE, on October 5 at 3.45 pm.

F. & C. EUROTRUST (investment trust)—For year to June 30 1983: [illegible]

[illegible] value per 5p ordinary stock unit increased from 322.3p to 399.6p during the period. [illegible]

TOR INVESTMENT TRUST—Results for the year to July 7 1983: [illegible]

NEW EQUIPMENT—Results for six months to April 30 1983: [illegible]

ALBANY INVESTMENT TRUST—Interim dividend 0.7p (same) net for half year to August 31 1983. [illegible]

ARGYLL FOODS—Results for the year to April 2 1983 reported Aug 15. [illegible]

J. HEWITT AND SON (FENTON) (industrial and domestic refractories maker)—Results for first half of 1983: [illegible]

WHOLESALE FITTINGS (electrical distributor)—Results for the year to April 29 reported on August 20. [illegible]

ENGLISH AND SCOTTISH INVESTORS—Gross revenue £1.1m [illegible]

RELIANCE KNITWEAR GROUP—Results for the year to April 30 1983 and prospects reported August 19. [illegible]

FASHION AND GENERAL INVESTMENT—Results for the year to March 31 1983. [illegible]

TR CITY OF LONDON TRUST (investment trust)—Results for the year to June 30 1983 already known. [illegible] Meeting: Mermaid House, EC, October 5, 11.45 am.

LOUIS NEWMARK PLC

Report and Accounts for the year to 2nd April, 1983

The Chairman, Mr. Geoffrey Newmark in his Report states:—

- Following some improvement in exchange rates, the final profit of £891,000 slightly exceeded the interim forecast. The Radcliffe Factory has been closed at a cost of £183,000 and its activities have been transferred to the main factory at Alford. The combined automotive operation is now trading profitably.
- The Horological Division is still in loss but we have acquired two significant new Agencies, the revolutionary Swatch from Switzerland and the Sanyo range of digital quartz watches, which will expand business.
- Our electro-mechanical manufacturing divisions have several new projects in hand, including our flight path controller for helicopters, which has special reference to search and rescue applications.
- Your Company shows every sign of a general upturn in profit which should continue in the foreseeable future. In view of the variable nature of the market recovery at present it is difficult to give a precise forecast at this moment for the year except to say that profits will exceed £1M.
- Directors recommend a final dividend of 7½p giving a total for the year of 12p compared with 11½p for the previous year.

Salient Figures	1983 Profit £000	1983 Turnover £000	1982 Profit £000	1982 Turnover £000
Manufacturing	1,313	22,137	1,483	22,478
Merchanting (including investment income)	(422)	7,588	(258)	7,908
	891	29,725	1,225	30,386
Profit after Taxation and Extraordinary Items (excluding transfer from Reserve)	540		829	
Dividend per Ordinary Share	12p		11.5p	

Copies of the full Report can be obtained from the Secretary 80 Gloucester Road, Croydon CR9 2LD.

North American side helps lift United Biscuits 35%

THE "GOOD" profits forecast by United Biscuits (Holdings) for the interim period turn out to be £34.5m, which represents an £8.9m (or 35 per cent) advance over the corresponding period of 1982.

And for the full year the outlook is very encouraging, says the chairman Sir Hector Laing.

While the greater part of the increase in the 28 weeks ended July 16 1983 came from the U.S., all areas shared in the "excellent performance," Sir Hector tells members. Benefit from the translation of North American profits into sterling, compared with the same period last year, amounted to £2.3m before tax.

In the period group turnover shot up by £117m to £718.4m, while the trading profit rose by £7.9m to £42.7m. Interest charges at £8.2m showed a £1m saving. The interim dividend is being raised from 2.25p to 2.7p net at a cost of £8.5m (£7.1m).

The turnover and trading profit were geographically split as to: United Kingdom £401.8m (£351.5m) and £19.9m (£18.8m); North America £297.4m (£233.7m) and £22.2m (£15.8m); rest of the world £19.2m (£16.2m) and £0.6m (£0.2m).

In the second half North American profits will continue to be very satisfactory, but will not show the same percentage increase because, Sir Hector explains, of the very considerable marketing costs of Keebler's entry into the West Coast and to the dollar translation yielding a lesser benefit.

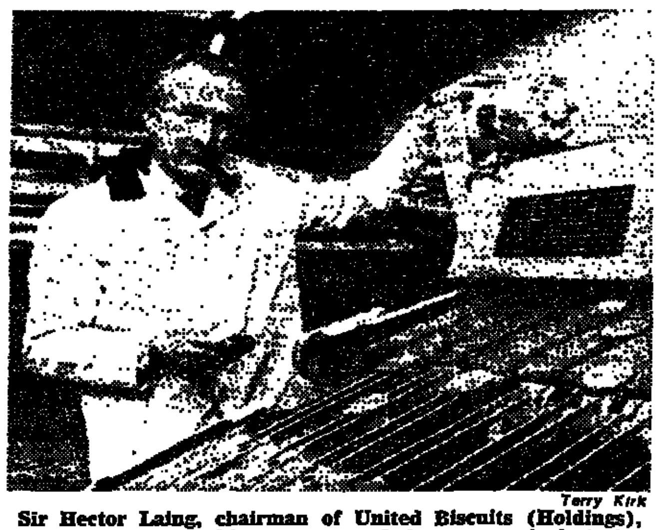
At home, notwithstanding the exceptionally hot summer—which is an adverse factor for the trade—Sir Hector would expect to see second half profits increase by a greater percentage than in the first period.

After tax £11.5m (£8.9m) the net profit for the 28 weeks amounted to £23m (£16.7m), for earnings of 7.3p (5.3p) net per share. For the 1982 full-year profit before tax was £68.4m and the dividend total 5.8p.

The group is the largest biscuit manufacturer outside the U.S. and makes over 100 brands under the names McVitie's and Crawford's. It also produces snack products, potato crisps and processes nuts under the KP brand.

The run down of production at the Liverpool biscuit factory over the next three years has been brought about because of the need to reduce costs in the increasingly competitive biscuit market. Provision for the costs will be made at the year end and will be treated as an extraordinary item.

See Lex



Terry Kirk

Sir Hector Laing, chairman of United Biscuits (Holdings), seen operating machinery at one of the company's factories. He reports interim profits ahead by 35 per cent and says the outlook for the year is very encouraging.

Sirdar rises to £7.65m and lifts distribution

AN INCREASE in second-half taxable profits at Sirdar from £3.25m to £4.28m, lifted the total for the year to June 30 1983 to £7.65m, compared with £6.18m. Turnover for the year moved ahead by £2.74m to £30.02m.

The final dividend of this knitting wool manufacturer is being raised from 2.5p to 3.2p net per 25p share, making a higher total of 5.05p (4.1p). Earnings per share are given as 20.15p (16.47p). A one-for-one scrip is also proposed.

Operating profits came to £7.17m (£5.89m) and interest and other income was £479,000 (£290,000). After tax of £2.81m (£2.22m) the attributable profits emerged at £4.83m (£3.84m including an extraordinary debit of £115,000).

Current cost adjustments reduced pre-tax profits to £6.72m (£5.47m) and earnings per share to 16.27p (13.53p).

● comment

Sirdar's figures are impressive. On a sales rise of 10 per cent, taking in two or three points of extra volume, Sirdar has pushed operating profits up 22 per cent. And those record profits have been achieved in a year when the company moved a factory and got its production into "a right shambles" for three or four months which cost it some market share. With trading margins running at 24 per cent and a return on capital employed of 38 per cent there are some textile companies who could envy Sirdar's "shambles." Branded wool accounts for around half the UK market and Sirdar is the largest player in the branded market with about a third. Coats Patons comes second but leads the field in own brand wools for major retailers. To hold its position Sirdar has kept up a steady flow of capital expenditure on re-equipping that has resulted in a drop of a third in the labour force over the last five years. Capital spending last year was £3m but still liquid funds rose by £2.8m to £6.6m. Diversification seems an obvious ploy to augment the steady but slow growth of hand knitting. So far the problem has been isolating a suitable target. Meantime, the price of 192p puts the shares on an actual p/e of 9.4 while the 3.8 per cent yield is covered over 3 times on CCA earnings.

Danish Bacon

In yesterday's first edition the headline on Danish Bacon should have read deficit reaches £0.7m, and not £4.7m.

William Baird expands to £3.6m

IMPROVEMENTS in certain areas of group activities at William Baird in the first six months to the end of June 1983 helped boost pre-tax profits from £2.74m to £3.55m. However, the directors say that results were helped by seasonal factors and that achieving increases in the second half may prove more difficult.

The net interim dividend is being lifted from 5.6p to 6.3p—the increase is to redress the imbalance with the final. In the last full year a final of 8.75p was paid from pre-tax profits of £8.8m on turnover of £185.57m.

Earnings per £1 share for the six months were shown as increasing from 11p to 14.3p.

Turnover of this group with interests in textiles and investments expanded from £82.49m to £89.76m.

A breakdown of turnover and operating profits (£4.56m, against £4m) shows: Baird Textiles £62.11m (£58.02m) and £3.11m (£2.75m); Darchem £27.65m (£24.47m) and £928,000 (£722,000). Profits from investments fell from £529,000 to £518,000.

● comment

William Baird's interim profits were a good £½m ahead of market expectations. The shares gained 5p to 288p, and only the rather downbeat tone of the chairman's statement prevented further gains. The advance in the textiles division was almost entirely volume gains and Dannimac, already a good acquisition, was particularly well served by the wettest of wet springs. Baird has now built up its cash pile to around £16m, but the company feels it can squeeze a lot more out of its existing mix without resorting to acquisitions. Baird would obviously be doing tremendously to match the 30 per cent improvement shown hitherto, throughout the seasonally more significant second half. But the caution expressed by the company yesterday seemed more a general wariness about the extent of economic recovery and fluctuations in sterling. It does not indicate that the improving trend has started to wane. Baird could reach £10.3m for the full year, putting the shares on a prospective multiple of 10.7. As for the dividend, a total net payout of 15.75p would hardly strain the coffers. A prospective yield of 8 per cent combined with the fact that the market capitalisation is about a third covered by cash alone, makes the shares look cheap.

Booker McConnell slightly ahead

PRE-TAX PROFITS of international food, engineering and trading group, Booker McConnell came out ahead from £4.41m to £4.85m for the half year ended June 30 1983, after much lower interest charges at £2.82m compared with £3.92m.

Group borrowings are running at a significantly lower level than last year, and Mr Michael H. Caine, chairman, says the company expects the full-year profit to show an increase on 1982's £16.97m.

Stated first-half earnings are shown as 2.96p, compared with 2.61p, and the interim dividend is increased to 1.65p net, against 1.5p — last year's final distribution amounted to 2.25p.

Turnover rose from £407.18m to £443.35m and with profits, before tax and interest, of £8.45m (£9m), a divisional split shows: agriculture £16m (nil) and £3.5m (£1.8m); food distribution £315.1m (£299.4m) and £0.6m loss (£1.1m profit); health products £41.2m (£35.6m) and £1m profit (£1.2m); spirits and liqueurs £19.3m (£20m) and £0.3m loss (£0.7m profit); engineering £49.9m (£48.7m) and £2.8m (£2.4m); shipping £6.6m (£8.3m) and £0.3m (£0.2m); authors £0.9m (£0.8m) and £0.8m (£0.6m); parent company profit £0.9m (£1m); less internal turnover £5.7m (£5.6m).

The higher contribution from agriculture mainly reflects the purchase of an additional 35 per cent interest in Ibec, with the remainder being due to a favourable movement in exchange rates.

Ibec's profit as a whole, in U.S. dollars, however, was marginally less than the previous year. Booker Agriculture International also continued to face difficult conditions.

HIGHLIGHTS

Lex looks at the latest figures from the once ailing asbestos giant, Turner and Newall, where there is a return to profits thanks to a strong performance in the UK. The column then goes on to look at the Chancellor's move to impose corporation tax on offshore funds which roll up income into capital gains profit. It looks as if some will escape. On the corporate front again Lex considers the latest from United Biscuits which seems to be consolidating its stranglehold on the British market. The Stock Exchange sent its members proposals to change deeds of settlement allowing lay membership of up to 25 per cent of the council. Lex on to the maiden figures since coming to the market from Associated British Ports.

On the food distribution side a large loss was incurred in the wholesale business, but directors say the half-year represents the low point in performance by this business. Recent progress in cash and carry has been most satisfactory, they state, and this division as a whole should achieve a substantial profit improvement.

Action taken last year in food distribution is already producing wholesale volume growth and a substantial reduction in stock levels has also been achieved. These benefits are coming through in the second half year.

The health products division's good results in the UK were partly offset by continuing losses in the North American businesses. Holland and Barrett, the UK health food retail chain, secured a substantial increase in sales.

In engineering the disinvestment continues with the sale of Fletcher Sutcliffe Wild on May 24 and it is expected that agreement will be reached shortly on the sale of SPP Group. An excellent performance by Plenty, which is being retained, was a feature of the improved half-year's result, directors state.

The loss in spirits and liqueurs reflected a combination of three factors: continuing recessionary pressures on spirits sales in a number of markets; further destocking by some agents; the incidence of export shipments.

In shipping both Booker Line, now using chartered vessels, and Coe Metcalf, were profitable.

The authors division's improved contribution was mainly due to the increase in sales of Agatha Christie overseas and of the James Bond books written by John Gardner.

Pre-tax figure for the six months was also after minority interests of £777,000 (£650,000). Tax charge was £1.13m (£1.14m) and there were extraordinary credits of £439,000, compared with debits last time of £1.04m. Attributable balance came through at £4.15m (£2.24m) from which dividends will absorb £2.06m, against £1.89m.

Directors explain that the extraordinary credit was made up mainly of gains on the sale of Fletcher Sutcliffe Wild, and in relation to the values to which they were written down at the end of 1982, on the disposal of the Booker Line ships, partially offset by a provision for closure costs in the energy services operation.

● comment

Booker McConnell should soon be listed in the food sector, rather than "industrial." Having disposed of Fletcher Sutcliffe Wild, the Texas based energy service companies now seem destined to fade from the balance sheet they have done so much to offend. And even as the interim results were being announced a management buy-out of the pumps division was being negotiated. The restructioning is unexceptionable, but it is ironic that as a snapshot of a moment in time, yesterday's figures show engineering profits up 16 per cent, while the now dominant food distribution businesses turned in a loss. Booker has now taken remedial action, in particular by concentrating on more aggressive pricing, but the only division which currently produces respectable margins is agriculture. Here, much of the improvement is down to the consolidation of results from Ibec over the second quarter. Those who enjoy speculating might like to know that the company last month adopted SG Warburg, masters in the art of bid defence, as financial advisors. Assuming the final payout is increased in line with the interim, the shares at 88p down 4p, yield 6.8 per cent.

Yule Catto up at £3.5m midway

AN INCREASE of £1.04m to £3.53m has been shown by Yule Catto and Co. for the six months to the end of June 1983. The net interim dividend has been lifted from 1p to 1.5p in order to reduce disparity, the directors say. In the last full year a final of 2p was also paid.

Net earnings per 10p share for the six months were shown as increasing from 6.4p to 8p.

The directors say that prospects for the second half are good, with a recent upward movement in community prices preceding the peak harvesting season for oil palm and rubber, and growth conditions returning to normal.

Turnover of this group engaged in plantations, industrial chemicals, and building products, expanded from £40.59m to £43.08m. In the last full year pre-tax profits came to £6.58m on turnover of £78.25m.

For the six months trading profits fell from £3.21m to £2.77m, after which interest costs were sharply reduced from £501,000 to £159,000. There was investment income this time of £7,000 and associates contributed more at £912,000 against £790,000.

During the period Revertex (Malaysia), which makes natural latex and synthetic products, maintained progress with improved margins in all sectors. Sales to the local market continued to strengthen in line with the slightly better economic situation in south east Asia.

Returns from the plantation company in Malaysia were significantly lower with the oil palm harvest 37 per cent down compared with high yields in the first half of 1982, and with the average price of palm oil 16 per cent lower, alleviated only slightly by better contribution from rubber and the palm oil mill.

Shareholders' funds also improved, increasing by £2.38m since the previous reporting date.

Group taxation for the period was down from £1.64m to £1.44m. Extraordinary debits came to £36,000 (profits £449,000) and minorities came to £382,000 (£466,000).

Distillers sees year end downturn

At the annual meeting of Distillers Company, Mr J. R. Cater, chairman, told members that the directors do not expect the sales volume to reach that of last year, and as a result they continued to believe it was unlikely that figures for the current year would match those for 1982/83.

At other annual meetings chairmen reported as follows:

Magnet and Southerns—Mr S. Oxford said that management accounts for the first five months of the current year showed substantially better profits, and that demand for the company's products remained good.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
AB Ports	int	3	Nov 9	‖	—	—
Albany Inv Tst	int	0.7	Nov 4	0.7	—	2.2
William Baird	int	6.3	Jan 10	5.6	—	14.35
Banro Inds	int	0.58	Nov 1	0.58	—	3
Barrow Hepburn	int	0.8	Nov 4	0.8	—	2.2
Boddingtons' Brws	int	1.14	Nov 7	1.05*	—	2.4*
Booker McConnell	int	1.65	Jan 3	1.5	—	3.75
British Mohair	int	1.15¶	Oct 31	0.96	—	4.2
Dowding and Mills	int	1.29	Oct 21	1.09	2.15	1.87
Emray	int	0.25	Jan 3	Nil	—	0.5
James Fisher	int	1.4	Oct 31	1.33	—	2.83
Fleming Universal	int	2	Nov 28	2	—	6.75
Highcroft Invest	int	1.4	Nov 11	1.25	—	3.15
Keep Trust	int	Nil	—	0.15	—	0.15
Liverpool Post	int	3.9	Oct 28	3.7	—	10.2
London Shop Prop	int	4.25	Nov 10	3	5.75	4.25
Lyon and Lyon	int	1.5	Oct 28	1.5	—	5
McLaughlin Harvey‡	int	2	Nov 4	1.8	—	6.4
Magnolia	int	0.6	Oct 17	0.6	—	2.3
New Equipment	int	0.35	Oct 28	0.35	—	1.15
George Oliver	int	1.45	—	1.32	—	6
Harold Perry	int	1.5†	Dec 6	1.6	—	3.75
Petrocon Group	int	1.25	Oct 17	1.25	—	3.75
Richards (Leicester)	int	1	Nov 24	1	—	2
I. D. and S. Rivlin	int	0.1	Oct 31	Nil	Nil	Nil
Royal Dutch Pet	int	3.45**	—	3.20*	—	7.85*
Sale Tilney	int	4.25	Nov 30	3.75	—	8.75
Shell Transport	int	10.3	Nov 10	9.2	—	21.8
Sirdar		3.2	Dec 5	2.5	5.05	4.1
George Spencer	int	0.1	Oct 25	0.1	—	0.1
Telefusion		1.13	Nov 1	1.01	1.95	1.75
Tor Investment		7§	Nov 10	6.3	10.5	9.8
Trafford Park		6	Nov 17	5.25	9.25	8.25
Turner and Newall	int	0.25	Nov 17	0.25	—	0.25
United Biscuits	int	2.7	Jan 5	2.25	—	5.8
Westpool Invest	int	0.89	Nov 5	0.81	1.24	1.16
WW Group	int	1.94	Oct 28	1.94	—	6.83
Yule Catto and Co	int	1.5	Oct 15	1	—	3

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Income shares. ¶ Increased to reduce disparity. ‖ Total of not less than 7p forecast. ** In Dutch florins.

BIDS AND DEALS

Siebe bids £15m for Tecalemit

BY RAY MAUGHAN

Siebe German, the mechanical engineering and safety equipment group, yesterday launched a bid worth almost £15m for the garage products and lubrication systems manufacturer, Tecalemit.

Tecalemit, which is advised by Kleinwort Benson, told its shareholders to take no action pending detailed advice from the board.

The offer comprises five Siebe shares for every 40 Tecalemit stock units and a partial cash alternative of three Siebe shares and 700p in cash for every 40 Tecalemit stock units. Siebe shares fell 7p in stock market trading yesterday to 350p, at which level both the straight equity and the partial cash alternative offers are now in line at an equivalent price of 43½p per Tecalemit share.

Anticipating Tecalemit's considered response, which is still awaiting an outright rejection, Tecalemit price climbed 17p to 46p.

Siebe's operational base expanded considerably at the beginning of the year when it paid £31m, funded largely by a large tranche of non-recourse U.S. debt, for the safety equipment division of Norton of Massachusetts, New England.

With a three months contribution from this new subsidiary, Siebe Norton, and full year's inclusion of Reith, the West German acquisition, Siebe pushed its profits up by 53 per cent to £6.2m before tax in the year to April 3 last.

The Norton deal lifted Siebe's gearing up to about 95 per cent which, with the near £6m cost of the cash alternative, clearly stands to go higher. The Norton Siebe acquisition was expressly structured with non-recourse debt so that the UK operations remain relatively free of borrowings and thus free to pursue any acceptable expansion opportunities.

Gearing, now at 25 per cent, would rise to some 45 per cent assuming that Tecalemit shareholders opt to take the cash alternative in full. Full acceptance of the all equity offer stands to increase Siebe's ordinary capital by some 30 per cent.

Tecalemit, which is undergoing a switch from a predominantly engineering base to an electronics emphasis, has suffered a sharp downturn in the UK machine tool industry which has hit its lubrication and filtration systems activities and a fall in operating profits from the lifts and jacks which it sells to garages.

Siebe, advised by S. G. Warburg, likes what it sees of Tecalemit's engineering and production capability but believes its commercial and marketing performance has been "inadequate."

A. G. Stanley suspended at 48p

Share in A. G. Stanley, the Fads paint and wallpaper manufacturing and retailing group, were suspended at 48p, 4p up yesterday pending an announcement tomorrow concerning a reorganisation of the company, it was announced today.

For the six months to July this year Stanley turned in pre-tax profits of £493,000, against a loss of £171,000 last year. Turnover was up from £27.19m to £27.68m.

ALLIED IRISH BANKS INS. CORPN. IRELAND

Allied Irish Banks AIB has received acceptances in respect of 7.77m ordinary and "A" ordinary (68.5 per cent) shares in the Insurance Corporation of Ireland.

A wholly-owned subsidiary of AIB held 2.79m "A" ordinary before the offer (24.7 per cent). This holding and the acceptances received total 10.56m ordinary and "A" ordinary (93.2 per cent). This will entitle AIB to acquire the outstanding shareholdings compulsorily.

Wheeler's family owners prepared to step down

FAMILY CONTROL of one of London's most famous fish restaurants, Wheeler's, may be about to end. A brief statement from the group's West End headquarters yesterday said that the trustees of the six family trusts which own over 51 per cent of the shares were considering an approach which may lead to an offer.

The restaurant group has received many formal and informal bid approaches during its 15 years as a public company, but during the lifetime of the chairman and founder, Mr Bernard Walsh, who died in May 1981, all approaches were politely turned away. It is now understood, however, that the family would be willing to contemplate a suitable cash offer.

Wheeler's has been subsequently headed by his son-in-law, Mr Ronnie Emmanuel, who is one of the trustees of the family holdings.

Among the many interested bidders were Lex Service Group, which offered £1.5m in November 1981 and Golden Egg, since acquired by EMI, which bid £2.2m two months later.

Ladbroke, the gaming group, has also shown an indirect interest. The chairman, Mr Cyril Stein, took a stake in the autumn of 1972 and this interest was represented by Mr E. W. MacAdie, the Ladbroke deputy chairman who still sits on the Wheeler's board.

Shares yesterday rose 40p to 450p.

SHARE STAKES

Estates Property Investment Company—Directors L. C. T. Cottrell and D. V. Udall are interested as trustees in 10,000 ordinary shares at 133p. D. R. Poole, a director, is interested in a further 10,000 ordinary shares at 133p.

Benjamin Priest — Scottish Amicable Nominees now holds 934,250 ordinary shares (5.52 per cent).

Sir Joseph Causton and Sons—Fleet Holdings has increased its holding by 50,000 to 3,652,569 ordinary shares (21.7 per cent).

Guinness Peat in U.S. real estate venture

Financial services group Guinness Peat is teaming up with Travellers Corporation, a major U.S. insurance group, in a joint venture to attract offshore investors into the U.S. real estate development market.

A new joint company is being established, the London and Hartford Corporation, which will have offices in London and New York as well as as Hartford. It will invest in office buildings, shopping centres and other commercial real estate projects.

Travellers, a major force in the U.S. real estate market, has investments of over $8bn in real estate.

Mr Martin Landau, a Guinness Peat executive who will chair the new company, said: "The non-resident investment in U.S. real estate has grown dramatically over the past decade." He noted that the combination of political stability coupled with the prospects for good capital appreciation meant that offshore investors were showing a great deal of interest in the U.S. real estate market.

Brown & Jackson back in profit

A COMBINATION of disposing of loss-making companies and achieving better profit contributions from existing trading operations at Brown and Jackson has resulted in a return to pre-tax profits of £1.03m for the first six months to the end of June 1983 against previous losses of £209,000.

Turnover of this building and civil engineering contractor dropped from £67.52m to £51.62m.

In the last full year losses totalled £1.29m (£861,000). In a statement last July the directors said that all subsidiaries remaining within the group had traded profitably in the first quarter—and they anticipated a marked recovery in fortunes in the current year.

No interim dividends have been proposed on the ordinary of preference shares as the deficit on revenue reserves has not been eliminated. The last ordinary payment was a final of 0.25p for 1981.

Earnings per 20p share were given as 3.77p against previous losses of 1.54p—at the attributable level there was a surplus of £785,000 compared with a deficit last time of £187,000.

Trading profit before extraordinary items was given as £516,000 compared with losses of £209,000. The extraordinary credit of £518,000 this time arose from the sale of Lorien Laboratories.

Tax for the period amounted to £52,000 (nil).

BANK RETURN

	Wednesday September 14 1983	Increase (+) or Decrease (—) for week
BANKING DEPARTMENT		
Liabilities	£	£
Capital	14,553,000	—
Public Deposits	34,191,908	+ 391,696
Bankers Deposits	643,700,916	+ 140,937,563
Reserve and other Accounts	1,586,670,524	— 19,327,765
	2,279,116,348	+ 122,001,593
Assets		
Government Securities	476,410,857	+ 53,364,999
Advances & other Accounts	867,721,488	+ 757,952
Premises Equipment & other Secs.	923,828,162	+ 67,762,411
Notes	10,980,798	+ 129,173
Coin	175,043	+ 7,058
	2,279,116,348	+ 122,001,593
ISSUE DEPARTMENT		
Liabilities	£	£
Notes issued	11,440,000,000	— 40,000,000
In Circulation	11,429,019,202	— 40,129,173
In Banking Department	10,980,798	+ 129,173
Assets		
Government Debt	11,015 100	—
Other Government Securities	4,685,794,539	— 489,829,568
Other Securities	6,743,190,361	+ 449,829,568
	11,440,000,000	— 40,000,000

Cakebread Robey

Pre-tax profits of builder and timber merchant Cakebread Robey advanced from £278,000 to £354,000 in the first half of 1983 and not as stated in yesterday's paper.

UK COMPANY NEWS

Bambers going into voluntary liquidation

By Andrew Arends

Bambers Stores, the clothing retailers, is to go into voluntary liquidation following the revelation earlier this week that losses for the current year would be substantially greater than expected.

This information came to light following an independent appraisal of Bambers Stores' trading situation and prospects by Coopers and Lybrands, the accountants.

It is understood that this report revealed that Bambers' property and stock assets were overvalued by more than £10m. In the last annual report of the company fixed assets and stock were valued at around £35m in total.

The report was commissioned by Mr Touker Suleyman, chairman of the textile group Mellins, which purchased a 6.2 per cent stake in Bambers in July for around £330,000, with options to purchase a further 8.6 per cent.

Mr Suleyman said yesterday: "The results of the appraisal led me to the conclusion that our resources were best directed into Mellins' mainstream activities. Consequently a decision was not taken to proceed further with this investment."

Mr Suleyman explained that as a result of negotiations with the Vernon family, from whom the shares were originally purchased, Mellins will suffer "no financial loss and will cease to have a relationship with Bambers Stores."

Mr Suleyman, Mr Leonard Fenn, and Mr David Mellis who joined the Bambers board in July, have all now resigned as directors.

The Bambers directors yesterday said that they hoped to call a meeting of creditors and appoint a liquidator within the next few days. The company said that it was looking for an outside buyer for at least part of the group's assets.

Petrocon lower holds interim

INTERIM pre-tax profits of Petrocon Group, supplier of equipment and services to oil, petrochemical and process industries, fell from £605,000 to £263,000, but the dividend is being maintained at 1.25p.

In spite of problems facing the industry the board believes it is right to continue expansion of its coverage in South East Asia and West Africa. A temporary reduction in profits is an acceptable price to pay in the pursuit of long-term growth, they say.

Tough competition affected results in South East Asia, but in West Africa, Wasco continued to consolidate its business in Angola while proceeding with the establishment of new bases in Gabon and Cameroon.

Turnover for the period rose from £3.15m to £4.14m and the pre-tax result was after lower associated company profits of £30,000 against £234,000. Last year profits totalling £1.01m were made from turnover of £6.71m. Midterm earnings are given as falling from 9.45p to 3.62p after tax of £49,000 (£47,000).

Car plant disputes hit Banro halfway profits

DISPUTES AT Ford Halewood and Austin Rover helped cause taxable profits at framed window, sunroof and car component maker Banro Industries to plunge from £324,111 to £101,055 in the first half of 1983. Turnover slipped from £14.01m to £12.78m.

Earnings per 20p share are given lower at 0.8p (2.4p) and the interim dividend is being maintained at 0.575p net. For 1983 a total of 3p was paid from pre-tax profits of £508,450.

Mr Edward Rose, chairman, says losses continued at the factory established at Telford to manufacture Lignotock but these have now reduced and a small profit is anticipated from this operation in the last quarter. The results were also affected by disputes at the French subsidiary's customers.

As to future prospects, he says present indications are that profits for the second half should exceed the interim figure but it would be unwise at this stage to forecast the total for the year. Looking to 1984, he adds that the group's order books reflect satisfactory levels of business, which should result in increased profitability.

After tax of £41,167 (£159,332), minority debits of £7,650 (£24,973) and dividends of £39,064 (£38,833) the retained profits amounted to £13,174 (£100,973).

G. Spencer deficit widens

IN THEIR interim report, covering the 26 weeks to July 2 1983, the directors of George Spencer say that while the outlook "is perhaps a little better than of late" their immediate task is to bring the company back into profit.

For the six months the company, which manufacturers leisurewear and knitwear, incurred losses at the pre-tax level of £422,000, compared with £371,000 previously, from lower turnover of £4.78m, against £5.71m.

Loss per 25p share emerged at 7.1p (6.3p) and the net interim dividend is held at a nominal 0.1p—the final was passed last year.

Optimism as WW profits double

Pre-tax profits at W. W. Group more than doubled in the first six month of 1983, and the directors say this augurs well for the remainder of the year.

The prolonged summer had an adverse temporary effect on the autumn trade, but the board is confident that the full year's profits will show an improvement on last year's £683,358 (£815,424).

First half pre-tax profits were £268,000 compared with £122,000, and this was after depreciation up from £106,000 to £107,000 and interest payable of £223,000 (£332,000). Sales of this distributor of textiles and carpets improved from £10.98m to £12m.

Net sale of a trademark contributed £313,000. First half tax was up from £9,000 to £76,000. The interim dividend is unchanged at 1.94p and there has again been a waiver of £5,902. Stated earnings per 25p share rose from 4.52p to 7.78p.

McLaughlin

Builder and civil engineer McLaughlin & Harvey advanced from taxable profits of £644,000 to £690,000 in the first half of 1983, on higher turnover of £25.05m, compared with £21.5m.

The interim dividend is being raised from 1.8p to 2p net per 25p share partly to reduce the disparity between it and the final. For 1982 a total of 6.4p was paid. Earnings per share for the six months are given as 10.2p (11.1p).

The directors of this Unlisted Securities Market quoted company say it is impossible to predict with certainty any recovery although there are signs of this in certain sectors of the industry, but margins remain depressed.

Looking to the full year they are confident the company will achieve satisfactory results.

Tax took £276,000 (£194,000) and there were exchange losses of £203,000 (gains £51,000). Last time there were also extraordinary credits of £692,000.

UK COMPANY NEWS

AB Ports profits surge £5m midway

FOR THE first six months of 1983 taxable profits of port operator, Associated British Ports Holdings have expanded by £5.3m to £6.8m and there is a 3p net interim dividend. Directors expect to pay not less than a 7p total for the year.

They explain that there was no sign of any overall expansion in Britain's overseas trade during the six months, but some useful increases were achieved in the group's ports in container traffic, food exports and timber imports.

The offshore energy sector was again an important source of revenue, and directors say that the improved results also reflect greater operational efficiency.

They add that ABP's first year as a public company has started well and that the outcome for the full period will depend, in part, on trends in Britain's overseas trading, which as yet shows no material change on 1982.

For the whole of 1982 pre-tax profits amounted to £5.5m (£10.3m loss).

Revenue for the first half amounted to £78.5m, compared with £76m, and the pre-tax figure, which included investment income, £1.3m (£0.1m), was struck after exceptional debits of £2.5m (£2.9m) and interest payable, down from £3.6m to £1.4m.

The exceptional items relate mainly to voluntary severance costs covering reductions in staff under discussion with trade unions, and planned for implementation during 1983.

At Southampton, turnover increased and the port is operating profitably. Since the end of the *half* year, the joint venture with the C. Y. Tung Group of Hong Kong—Mayflower Container Terminal — has begun operations.

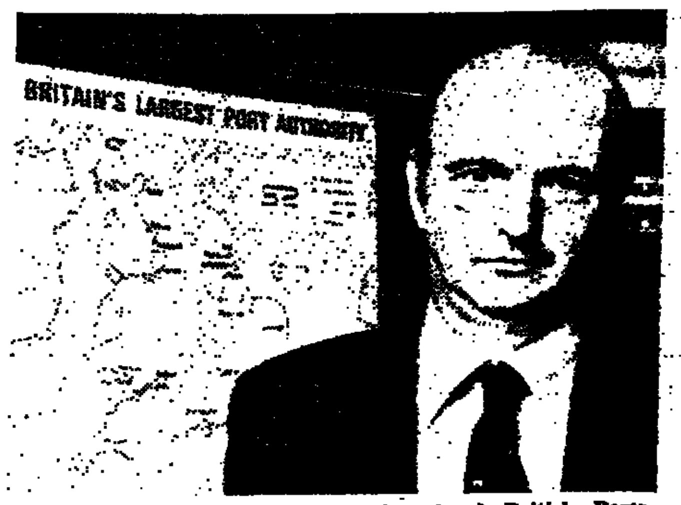
While no material impact is expected on Southampton's trading results during the current year, it provides potential, directors state, for further increases in volume through the container port.

In the group's other ports, trading has been generally satisfactory, although revenue at Hull was reduced as a result of an industrial dispute, which has since been settled.

Tax charge for the six months is given as £2.5m (nil) and earnings per 25p share 10.7p.

Extraordinary credits of £22.9m, principally a receipt from British Steel Corporation subsequent to the settlement of revised terms of a commercial agreement in January last, will be dealt with in the full year's accounts, net of tax, the directors point out.

See Lex



Mr Keith Stuart, chairman of Associated British Ports Holdings, which boosted interim profits by £5.3m.

Some recovery for Richards (Leicester)

Although its traditional markets have remained dull and depressed, Richards (Leicester) has shown some improvement in its results for the half year ended July 3 1983. Turnover was maintained at £2.82m, and after £2,000 (£9,000) for net cost of redundancies, there is a profit of £3,000, against a loss last time of £94,000.

The company is engaged in structural and mechanical engineering and iron founding. There is no immediate sign of any improvement in trading conditions in traditional markets, but steady progress has been made with product diversification for new markets as well as for some existing ones.

In particular the company has been encouraged by the interest in its energy saving Kinergy vibratory equipment, and in the specialist range of ductile iron pipes and fittings provided by the newly acquired RDV Engineering for water and sewage requirements.

After tax £1,000 (£69,000) and extraordinary debit £25,000 (same) being goodwill written off, there is a net loss of £23,000 (£50,000). The interim dividend is held at 1p net per share costing £20,000. Earnings before tax were 0.15p (loss 4.7p) and after tax 0.1p (loss 1.25p).

Further progress at Ryan Intnl.

FURTHER PROGRESS was achieved by Ryan International in the first six months of 1983 when profits at the pre-tax level improved to £542,000, an increase of £202,000 over the figures reported for the same period last year.

Turnover almost doubled from £6.37m to £13.09m and operating profits expanded by £783,000 to £1.26m after distribution and administration expenses of £1.43m, compared with £1.03m—the group's interests are in plant hire contracting and coal factoring.

The pre-tax result was after taking account of a £442,000 rise in interest charges to £617,000 and deducting associate company losses this time of £101,000, against previous profits of £38,000.

The group's Belgian subsidiary provided a strong flow of profits but the directors are "greatly concerned" at the manner and speed with which the UK coal recovery scene has deteriorated.

Despite the efficiency of processing they say the group is limited to three sites due to non-availability of new sites or to planning problems. Redundancy costs of £54,000 were therefore incurred and were included in the results.

It is pointed out that coal stocks in the UK are at extremely high levels and demand overall has fallen sharply. Although the new site at Donisthorpe, in the Midlands, was commissioned in May according to schedule and fulfilled expectations, the UK recorded loses in the first half.

The directors say that having successfully commissioned the plant in the U.S. during the winter months, trading subsequently suffered during the National Truckers' strike in February. Trouble developed soon afterwards in the final sizing screens and after an increasing frequency of major breakdowns the plant had to shut down while replacement equipment was designed, built aod installed. The plant has performed well from that time.

However, selling prices were below original estimates as a result of a lower demand and a competitive market and consequently the U.S. operations registered losses in the interim period.

The roofing company continues to flourish. In July it was extended by the acquisition of Aluminium R. W. Supplies. Every effort is being made to develop this type of business as an offset to the declining prospects in coal recovery in the UK, the directors say.

Borrowing levels have been reduced from those requested at the time of the egm in April and net borrowings now stand at 2.47 times.

With a lower requirement for coal in Europe and the UK and huge coal stocks world wide the immediate future "is by no means clear."

Tax for the half year took £40,000 (nil) but below the line pre-acquisition profits added £301,000 this time.

Earnings per 5p share totalled 0.62p (1.05p). No ordinary dividends have been paid since 1974 but at the annual meeting in April the chairman said it was hoped dividends payments would be resumed in the current year.

The group was formerly known as L. Ryan Holdings.

British Mohair sees improvement

AS EXPECTED, good first-half results were achieved by British Mohair Holdings and the year's outcome should show a marked improvement, say the directors.

During the six months to June 30, 1983 turnover rose by £2.15m to £15.93m, and with an overall improvement in profit margins coupled with an increase in yarn production the taxable surplus increased from £803,000 to 1.81m.

The result includes interest receivable of £98,000 (payable £1,000), arising from the short-term investment of surplus cash resources, which should continue during the second half, say the directors.

To reduce disparity the interim dividend is lifted to 1.15p against a 0.96p per 25p share. Last year dividends totalling 4.2p were paid, with pre-tax profits at £1.96m on turnover of £25.76m.

The directors say that with the order book stretched well into the second half, the outlook for trading can be described as favourable. They add that all of the group's companies—engaged in combing, dyeing and spinning—continue to maintain full activity, and results for 1983 should show a marked improvement over 1982.

However, they point out that mohair prices at source have reached record high levels, and it remains to be seen whether these prices will be acceptable in the market for mohair yarns which constitute business for 1984.

Net profits emerged at £1.06m compared with £479,000 after tax of £749,000 against £324,000. Last time extraordinary credits added £6,000.

Lyon & Lyon lower

A modest decline of £4,000 to £144,000 in pre-tax profits is reported by Lyon and Lyon, the West Yorkshire Ford main dealer, vehicle repair specialist, road haulage contractor and shipbuilder and repairer, for the first six months of 1983.

The pre-tax figure included investment income of £29,000 (£27,000), but was after interest of £53,000 (£52,000). Group turnover rose from £5.36m to £6.13m. First half tax was £20,000 higher at £67,000. There was an extraordinary debit this time of £57,000. The interim dividend is unchanged at 1.5p net and stated earnings per 25p share fell from 3.02p to 2.225p.

Continuing losses in road haulage were considered unacceptable and, accordingly, this activity has been terminated. The closure costs and attributable tax made up the extraordinary items stated. They anticipate that group pre-tax profit for the year as a whole will be in excess of that for the previous year — £208,639 (£353,814).

Boddingtons' market share up

FOR THE six months ended June 25 1983 Boddingtons' Breweries has shown an underlying increase in trading profits of the order of 10 per cent.

Market share again improved and volume rose slightly by less than 1 per cent, keeping the company well ahead of the national position for beer sales. In the first few weeks of the current half trade has continued to show a marginal improvement over last year's volumes, although there are still no signs of any general recovery in market demand, the directors report.

In the first half turnover moved ahead £2.46m to £21.71m, trading profit rose £708,000 to £4.63m, and the balance before tax by £437,000 to £4.06m. In the 1982 comparison less than 4¼ months trading of the Oldham Brewery was included. And when full adjustment is made for this factor, the effect of accounting policy changes and exceptional investment income arising last year, the underlying increase is some 10 per cent.

The integration of the Oldham Brewery business with Boddingtons has now been substantially completed, and investment in Oldhams production and distribution facilities is under way.

Boddingtons' investment programme concentrating on its public houses is going ahead, with £5.6m budgeted for the year.

After tax £2.04m (£1.79m) the net profit was £2.12m (£1.97m) for earnings of 2.72p (2.59p) per share. There is an extraordinary credit of £100,000 (£137,000) being the surplus on disposal of properties and investments. The interim dividend is effectively increased from 1.05p to 1.14p—total for the previous year equalled 2.4p when profits before tax touched £8.6m.

Westpool ahead as LMS dividends improve to £1.5m

INCREASED pre-tax revenue is reported by Westpool Investment Trust for the year to April 30 1983 and the final dividend is raised from 0.812p to 0.894p net for a total up from 1.156p to 1.238p. The pre-tax figure was £1.84m compared with £1.7m.

Dividends from London Merchant Securities improved from £1.32m to £1.57m, but other investment income was down from £530,000 to £468,000. Management expenses were slightly higher at £87,000 (£81,000). Interest payable was up from £65,000 to £111,000. After tax of £623,000 (£564,000), stated earnings per 25p ordinary share improved from 1.16p to 1.24p basic, and from 0.99p to 1.06p fully diluted.

Accounts of London Merchant Securities, which are made up to March 31 1983 have not been consolidated. The 1983 figures reflect the dividends received in the year on the LMS shares.

The directors say further progress has been made in restructuring the non-LMS investment portfolio and benefits are reflected in the substantial capital appreciation achieved. After allowing for the increased borrowings incurred, market value of these investments rose by 48 per cent in the year under review.

Additional appreciation has accrued since April 1983 and, in that period, too, the listing of several formerly unlisted holdings has provided a measure of the impressive percentage by which their market value now exceeds book cost.

While the recent improvement in the market price of LMS shares serves partially to recognise that company's underlying strength and growth potential, it must also be seen to emphasise the extent to which those virtues and values fail to be reflected in the Westpool share price.

J. Fisher £1.6m midterm

IN THE light of higher finance charges, depreciation and difficult trading conditions the directors of James Fisher and Sons consider interim taxable profits of £1.61m against £2.38m to be "very satisfactory."

As future earnings reduce borrowings they look forward to the full benefits of recent acquisitions.

However, they say that shipping continues to labour under an uncertain economic climate, and with no signs of any significant upturn on this front, it is difficult to make any long-term predictions.

Turnover, of this ship owner, ship manager, and insurance broker, advanced from £9.75m to £14.23m during the six months to June 30 1983. The taxable result was after depreciation of £2.9m (£1.51m) and interest £1.35m (£30,000). Pre-tax profits of £1.37m (£1.56m) were achieved in the second half of last year.

The interim dividend is raised from 1.325p to 1.4p.

On a net basis, earnings per 25p share fell from 9.75p to 8.35p after a same-again tax charge of £147,000. Extraordinary credits were up from £165,000 to £733,000.

Emray advances halfway and pays interim

Turnover and profits virtually trebled at Emray for the first six months to June 30 1983. Turnover grew from £2.57m to £7.42m and pre-tax profits from £68,000 to £202,000.

The directors point out that earnings 5p share increased from 0.49p to 0.87p on a significantly increased capital base, and they feel justified in making the first ever interim payment of 0.25p, only two years after declaring the maiden dividend.

The directors expect to recommend a final dividend of 0.5p making a total of 0.75p for the 1983 year—an increase of 50 per cent over the dividend paid for 1982.

Involvement in the Bluebell Garage Group—acquired in April—has already produced improved results, say the directors, and they anticipate further progress.

Internal growth has produced a large contribution from the group's main activities—the financial services and motor divisions—together with an increasing contribution from Technology Transfer Associates.

It is planned that capital allowance available to the group from expanding agricultural and industrial leasing activities will allow a continuing nil tax charge.

In the last full year pre-tax profits amounted to £195,000 on turnover of £5.78m.

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MINING NEWS

Deelkraal hopes to hold dividend this year

BY GEORGE MILLING-STANLEY

CONFIRMATION that the young Deelkraal gold mine in South Africa expects to maintain the dividend of 10 cents per share paid for the year to June 30 comes with the annual statement from Mr Colin Fenton, chairman.

The mine, part of the Consolidated Gold Fields group, paid a maiden 5 cents in the 1980 financial year, but subsequent events proved this to be premature.

The resumption of payments this year looked much more likely to be sustained, and Mr Fenton has reaffirmed that this is the case, provided that there is no significant fall in the gold price.

Development work at the mine over the past 12 months shows a slight increase in tonnage of gold limits under 8 grammes of gold per tonne, and broadly unchanged stope values compared with the position a year ago. The mill yield is therefore expected likely to be maintained at the 4.8 grammes per tonne level established last year.

The Gold Fields group's biggest mine, Driefontein Consolidated, is also expecting to maintain its dividend payments this year at the level of 285 cents per share paid in 1982-83.

Mr Robin Plumbridge, chairman, stressed that this was conditional on the rand price remaining at the present level of around R15,000 per kilogram.

He added that the new arrangements, under which the South African gold mines receive payments in dollars rather than the local currency, are not expected to affect the eventual rand receipts unduly.

However, Driefontein could well see lower production this year, with no change planned in milling rates and an expected decline in the average yield from last year's 13.2 grammes of gold per tonne to about 12.6 grammes.

Uranium output will also be lower, by perhaps as much as half last year's level, as high-grade material from the slimes dams has now been exhausted. This high-grade material has made up almost half of the feed to the plant over the past eight years.

Operations at Kloof have never been easy, and the past year has been no exception, concedes Mr Fenton, who is also chairman of this operation. However, a steady gold price should see dividends maintained at last year's level of 330 cents per share.

Mr P. R. Janisch, chairman of the Gold Fields group's Venterspost mine, stresses the marginal nature of the operation in his statement.

The average cost of gold production in the past 12 months was R12,674 per kilogram, or £360 per ounce at an exchange rate of 91 U.S. cents per rand. This clearly does not leave much margin for profit with the gold price at current levels.

Net Wits, one of the smaller investment companies in the Gold Fields group, has also published its annual report. Mr B. R. van Rooyen, chairman, said that the company is looking forward to earnings which will "at best" be maintained this year.

The South African economy is still bumping along the bottom of the current recession, Mr van Rooyen said, and this is made worse by the drought in the country.

The drought is already affecting the agricultural sector of the economy, and could cause serious reductions in output from *the mining and industrial sectors* if it persists.

First half increase at Gencor

HIGHER CONTRIBUTIONS from the gold and uranium operations of South Africa's General Mining Union Corporation (Gencor) have more than offset the expected decline from the industrial interests, with the result that the group has managed a slight rise in profits for the latest half-year.

Attributable profits for the six months to June 30 came out at R136.5m (£82m), up from R129.8m in the first half of 1982.

Earnings per share were 171 cents, against 163 cents last time, and the interim dividend is maintained at 55 cents.

Last year's interim *was* followed by a final payment of 120 cents, to give a total of 175 cents for the 12 months.

If the improvement is maintained over the rest of the year, Gencor will top last year's profits of R267.4m, although Mr Ted Pavitt, chairman, warned yesterday that this may not necessarily be the case.

He pointed out that investment income does not accrue evenly over the year, that there can be fluctuations in the realisation of investments, and that costs, especially for prospecting, vary materially from time to time.

	Six months ended 30/6/83 Rm	30/6/82 Rm
Operating income	176.3	165.9
Investment income	86.7	79.7
Surplus on realisation of invests.	3.9	7.0
Making	266.9	252.6
Interest paid	62.9	44.4
Exploration costs	6.7	11.3
Group income before tax	197.3	196.9
Tax	37.4	32.9
Group income after tax	159.9	164.0
Outside holders' pref. divs.	29.4	34.2
Financing costs cptlsd.	6.0	—
Attributable	136.5	129.8
Interim div. 55 cents (1982—55 cents)	43.9	43.8
Retained	92.6	85.9

The table shows an increase of more than 40 per cent in interest paid at R62.9m. Mr Pavitt *explained that the rise in the* group's borrowings is largely associated with investments made by the industrial subsidiaries.

The decline in the contribution to profits from the industrial interests, caused by the continuing recession in South Africa, allowed the gold and uranium operations to regain their usual place as the prime contributor.

These two metals accounted for 34.5 per cent of attributable profits, compared with 33.5 per cent for the commercial and industrial interests.

The addition of platinum, coal and other minerals brings the share of profits contributed by *mining to just over half the total.*

* * *

The old Mount Martin gold mine at Kalgoorlie, Western Australia, is expected to resume *small-scale production later this* year, according to the latest annual report from Hampton Trust. The UK company would be entitled to a 10 per cent royalty on production.

Sir Cecil Burney, chairman, said the aim is to extract about 500 tonnes of ore a month. Initial tests suggest a gold grade of around 10 to 12 grammes per tonne.

Close by, Western Mining Corporation is continuing the search for nickel. Two promising areas have been established, and *deep drilling will follow* next year. Hampton has an option to take either a 30 per cent interest in any eventual mine, or receive a production royalty.

UK COMPANY NEWS

Telefusion hits record £4.26m and lifts payout

DESPITE A £500,000 rise in net interest charges to £1.8m, Telefusion pushed its pre-tax profits up to a record £4.26m for the year to end-April 1983, an improvement of 13.5 per cent *over the £3.75m returned for* 1981-82.

Profits mid-year were 24 per cent ahead at £1.8m.

Although the short-term outlook is uncertain, growth opportunities exist in the group's industry and the directors are confident about its prospects.

They are raising the final dividend on the 5p ordinary and "A" non-voting shares from 1.01p to 1.13p to make a net total of 1.95p, which compares with the 1.75p paid previously. Earnings were up from 5.74p to 6.11p.

Turnover for the year also hit a peak, rising from £80.64m to £93.68m excluding VAT. This was made up as to sales and service income £66.88m (£55.83m) and rental £26.8m (£24.81m) — the group's main activities are the sale, rental and service of electronic and electrical goods and the provision of cable television, viewdata and other electronic communication systems.

Trading profits expanded from £13.63m to £15.26m before depreciation and leasing of £9.19m, *against £8.56m*. Tax accounted for £1.44m (£1.1m) to leave attributable profits £166,000 ahead at £2.82m.

During the year Telefusion invested £21.84m in fixed assets, of which £19.6m was invested in assets on hire to its customers. The group gained an increased share of the national video market and doubled its video rental subscribers. The rise in rental turnover has been maintained since the year-end and in retail business (which also increased during the year) the directors are expanding the range of equipment offered for sale.

Telefusion has acquired from Sony (UK) assets comprising all the colour television sets and video recorders rented by its rental operation for approximately £2m. Initial payment is £500,000 with the balance being on a deferred basis over the next 18 months.

● **comment**

Telefusion has undershot City expectations by £1m pre-tax. Arguably the news couldn't be better. Buoyant demand for both videos and colour televisions has led to capital investment in rental assets of £19½m running way ahead of cash flow. The rough breakdown is £7m on VCRs, £8m on colour TVs (perhaps double the normal figure thanks to the lifting of HP controls) with the balance accounted for by communications equipment. Cash flow, including £2m on asset disposals, came out at £14½m. So instead of the £5m term loan Telefusion had anticipated it had to take £7½m from the bank, lifting medium dated debt to £9½m, *against £2m the year before*. That is not surprising for borrowings would increase rapidly at this stage of the rental cycle and there is still a healthy gap between debt and shareholders' funds of £24.5m. So higher interest and depreciation charges—solely a reflection of business expansion—are blamed for any profits disappointment. *Yet if it seems* a completely bullish picture there is some small doubt over the strength of the retail side where sales and service turnover grew by 17 per cent in the second half against 22 per cent in the first. The market had been expecting better. The shares eased to 70p yesterday where they stand at 2.2 times cash flow and yield 4 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Braedon and Cloud Hill Lime Works, Condor International, Horace Cory, Early's of Witney, Executex Clothes, Holt Lloyd International, Molynx, Rowton Hotels.

Finals: Christy Bros., Epicure, Grippeords, Thomas Walker.

FUTURE DATES

Interims—
Associated Book Publishers ... Sept 28
Aurora ... Sept 28
BL ... Sept 23
Bruntons (Musselburgh) ... Oct 6
Capo Industries ... Oct 4
Dinkie Heel ... Sept 23
Nunsio International ... Sept 27
Northern Engineering Industs. ... Sept 27
Singlo ... Nov 14

Finals—
Cockesdoo ... Sept 30
Scottish Metropolitan Property ... Oct 12

Harold Perry improves halfway

FIRST-HALF results of Harold Perry Motors showed an encouraging overall improvement in profitability, says Mr J. F. Macgregor, chairman, in his interim statement.

Compared with 1982, pre-tax profits, for the six months to June 30 1983 increased 28 per cent from £1.58m to £2.02m on sales some 22 per cent higher at £61.03m against £49.9m.

He says that almost all business *activities produced* better results. Commercial vehicle sales, still suffering from the recession's impact on truck users, and vehicle workshops, where servicing and mechanical repairs left the group with some unfilled capacity, were the only exceptions.

Sales of new cars rose by 27 per cent and increased profits by half, despite continuing heavy competitive pressure on margins, he says.

He adds that other important profit sources were well ahead of 1982. Self-drive hire rose by 80 per cent and both used car sales and spare parts improved 37 per cent. Contract hire, leasing, hire purchase, and industrial engine sales all showed a healthy increase in profits.

Looking ahead Mr Macgregor says that the third quarter will reflect the unprecedented number of new cars registered in August. Perry's obtained its full share of this bonanza, he says, which involved the concentration in one month of many sales which otherwise would have fallen in July and September.

Also, the high volume of vehicle sales achieved by the group will provide a better result in the present quarter than last year. However, profit prospects for the remainder of the year remain difficult to forecast, he says.

An unchanged interim dividend of 1.5p is being paid. Earnings per 25p share were higher at 5.9p, against 5.3p after tax of £945,000 (£615,000). Retained profits were £802,000 (£693,000).

Mr Macgregor retired yesterday as managing director and is succeeded by Mr R. J. Hoare FCA as chief executive, but will remain on the board as non-executive chairman. Mr R. R. Allan has been appointed deputy chief executive.

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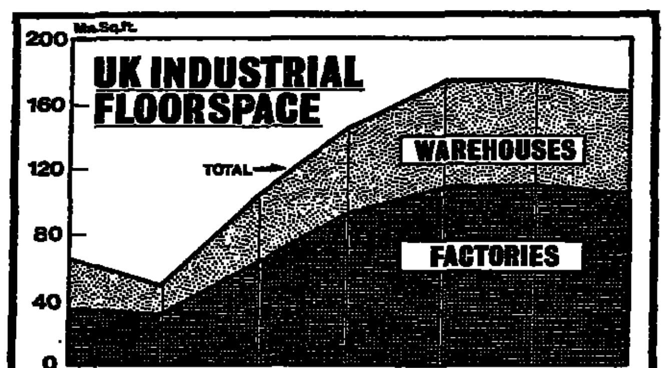
THE PROPERTY MARKET BY ALISON HOGAN

Fall in industrial space

THE LEVEL of vacant industrial property in England and Wales has fallen for the first time since 1979—one of the first indicators for the property market of a sustained improvement in the economy.



Industrial and warehouse floorspace on the open market reached a peak of 177.6m sq ft in mid-April and has slipped 4.56 per cent during the last four months to a current level of 169.5 sq ft according to figures published by King and Co today.

Mr Douglas King, senior partner of King & Co estimates that some 20 per cent to 25 per cent of the available space is not economically justified and ought to be demolished—a greater proportion of this surplus property is in areas of heavy industry. He sees the trend towards demolition of factories and warehouses as "a good economic factor and a positive help for the future."

Demolition is one factor in the reduction of space, another is a decrease in the amount of new buildings under construction throughout the country, with the exception of the East Midlands which recorded a small increase. The total fell from 11.78m sq ft in April to 10.41m sq ft in August.

King and Company regional offices report a modest pick up in demand, a sentiment which has been echoed in the comments of industrially based property companies including Slough Estates, Allnatt and Brixton Estates, which have recently reported financial results.

Harry Axton, chairman of Brixton Estates, announcing improved interim figures on Tuesday, warned that the improvement in the letting market has been confined to buildings of the highest quality in first-class locations.

According to King and Company, demand is particularly strong for large special units which "despite the large amount of available space on the market, cannot in many cases be satisfied by the current stock."

In another survey they reveal that 67 per cent of industrial companies prefer or require a freehold or long lease tenure in preference to short leaseholds. "Many companies are now trying to acquire freehold premises to take advantage of the tax incentives that are available." They also prefer detached, self-contained buildings to terraces.

Large retail and DIY concerns are having an effect on the industrial take-up with a strong demand for large buildings on industrial sites. Companies including MFI, W. H. Smith and Harris Queensway have all been in the market.

The general outlook for industrial property is for a further modest improvement. Mr King envisages another small reduction in available space in the coming four months.

Side-by-side in Slough

ACTING for Lynton Holdings, Peter Taylor has negotiated a "side-by-side" funding on a 6½ acre warehouse and industrial estate in Slough, which will be known as the Perth Trading Estate and comprise 131,000 sq ft of accommodation.

The funding has been arranged with Clerical Medical and General Life which is providing development finance in excess of £4m and which will get a majority stake in the equity of the completed estate.

● As Guinness Peat has formed a joint company with U.S. Travelers Corporation to develop U.S. real estate opportunities—the new company is to be called London and Hartford—Guinness Peat Property Services has closed a funding deal with JK Financial Corporation of America for the first, 60,000 sq ft phase of a 300,000 sq ft office development known as Century Park, Tampa, Florida.

The Allen Edmonston Partnership and St Quintin represented JK, with Healey and Baker's New York office acting for Guinness Peat.

● London and Leeds, the U.S. property arm of the Ladbroke group, has leased the 90,000 sq ft third building of its Royal Park office development at Westchester, New York State, to the New York Telephone Company. This completes the letting of the 270,000 sq ft first phase of the development at a total rent of $6.39m per annum.

● Sun Life Assurance Company of Canada plans to move its UK headquarters from Cockspur Street, London SW1, to the Basing View Business area in Basingstoke, Hampshire.

● "Valuation and Investment Appraisal" is a valuable new book which tells you everything about property investment you never dared admit you don't understand backed up with detailed tables and statistics. Edited by Clive Darlow it is available from the Estates Gazette Ltd., 151 Wardour Street, London W1. Price £18.

● Birmingham office rents have continued to increased at a greater rate than other provincial cities, according to figures from the Royal Institute of Chartered Surveyors. Since 1978, they have moved up by 70 per cent, compared with 50 per cent in Newcastle and 27 per cent in Liverpool.

● "Quicker by Quango," the history of Washington New Town and "a fascinating, blow-by-blow, warts-and-all account of the building of one of Britain's most imaginative new towns," will be published shortly by: Publications for Companies, Cutting Hill House, Benington, Stevenage, Herts, SG2 7DJ, price £9.95.

Owner occupation boost for City

DEMAND for office space in the City of London, which reached new levels in August, has received a further boost this month with the outright purchase of two prime sites for owner occupation.

Banque Paribas, a leading French bank, has this week completed the purchase of 68, Lombard Street, EC3 from Barclays Bank for an undisclosed sum, thought to be in the region of £18m. And First National Bank of Chicago has exchanged, but not completed, contracts with an unnamed purchaser for its 1-4, Royal Exchange building.

Paribas, advised by Jones Lang Wootton and Savills, bought the freehold with vacant possession and plans refurbishment to provide approximately 45,000 sq ft of banking offices on ground and seven upper floors, plus three basements. It should be ready for occupation in two years.

The move is being made to cope with the expansion of the bank which will now dispose of its existing 13,500 sq ft freehold premises at 33, Throgmorton Street.

Barclays Bank, advised by Richard Ellis, acquired the freehold of the Lombard Street building through the merger with Martins, which was associated with the site from the early 16th century.

First National is exchanging its 45,000 sq ft building in the City for 65,000 sq ft in the Covent Garden site. But it will retain a clearing centre and payments office in Royal Exchange Avenue.

The recent trend to owner occupation, which also includes the sale by Warburgs of its 30, Gresham Street office to UBAF, appears to indicate that when major businesses are seeking a prime city site they are willing to improve marginally on offers from institutions and developers. Agents report that there was serious competition for all these major sites.

Banking sector

The increased market activity in the City does not extend to the rest of London, or even at the same level to the City fringes. An office floorspace survey for August from Debenham Tewson and Chinnock says that the increased market activity is concentrated in the banking sector of the City.

The survey shows that in the EC1 postal district, available space decreased by 8 per cent to 997,000 sq ft, a result both of a slowdown in new supply with only 19,000 sq ft being marketed for the first time, and buoyant satisfied demand with over 103,000 sq ft being let, sold or placed under offer. In EC2, total space available down 3 per cent on the month at 1,048,000 sq ft, was the lowest level for a year. 103,000 sq ft in 15 units were taken up including two units of over 25,000 sq ft.

Objective view on Broadmead

IN AN atmosphere thickened by mud-slinging, litigation and police investigation, Bristol City Council has appointed London retail property specialists Hillier Parker to look at the options and implications involved in its possible sale of the city's £50m Broadmead shopping centre.

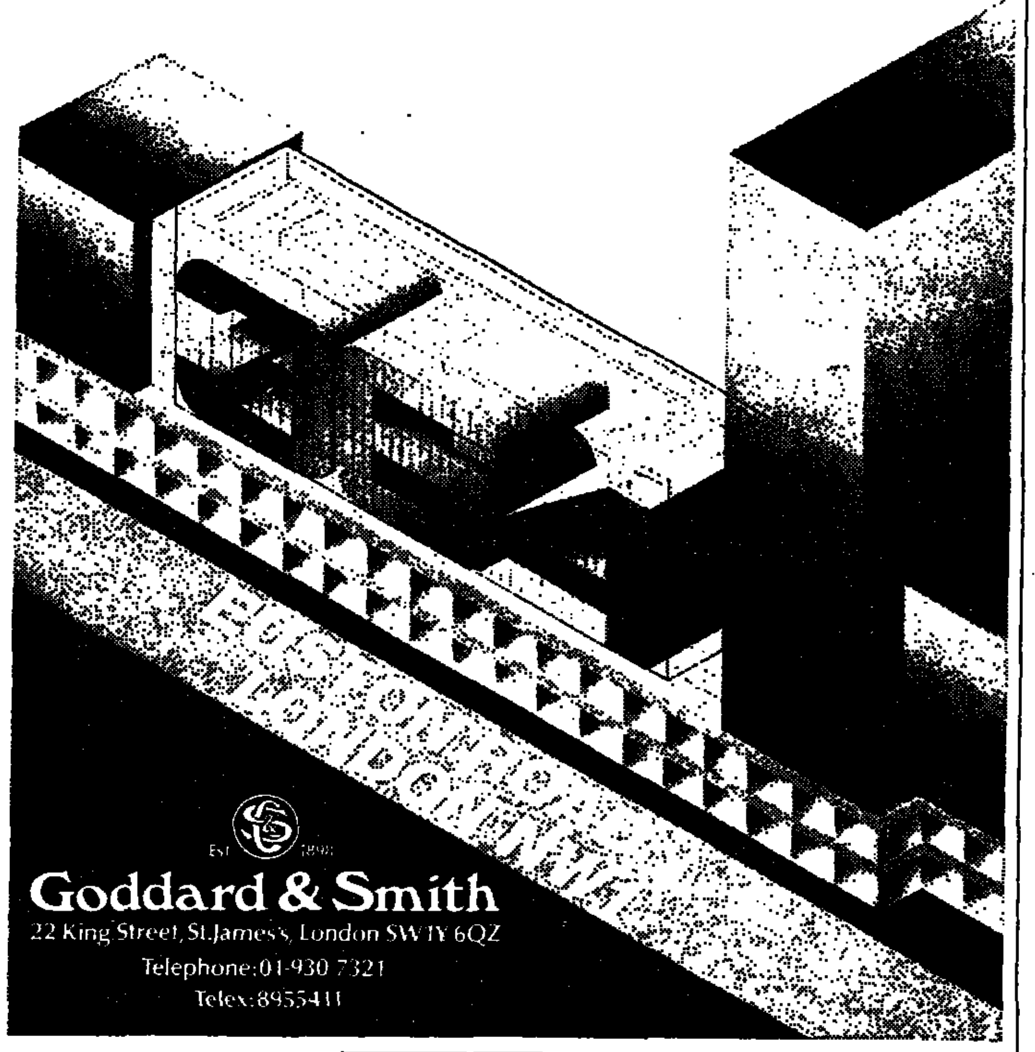
The council has been considering the disposal of some of its property assets as part of a financial reconstruction to reduce its debts—particularly those relating to the Royal Portbury Dock. It has the entire freehold of the 29 acre centre, which hosts major retail names like Lewis's, Debenhams and BHS.

Hillier Parker expects to make its report to the council shortly. "We aim to explore whether it should be disposed of, if so what should be disposed of, and how," says Mike Digby, a partner in the firm.

The Broadmead situation has been complicated by an ambitious £30m plan for an adjacent shopping complex at Castle Green, put forward by Sir Robert McAlpine and local agents Harmell Taylor Cooke—in effect an extension to Broadmead — and rival plans for the site presented by Commercial Development Projects, of Elland, west Yorkshire.

On this, the council is expected to propose a public meeting this autumn.

WILLIAM COCHRANE



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FINANCIAL TIMES

Friday September 16 1983

Drought risk for South African citrus, Page 38

WALL STREET

Funding set for a cool reception

WASHINGTON did not favour Wall Street with reasons for cheer yesterday, as industrial *production figures released* for last month emerged at the lower end of expectations and the nation's current account chalked up a record quarterly deficit, *writes Gordon Cramb in New York.*

Analysts said advance guesses at the weekly money supply figures due today were "being revised upward almost hourly." The consensus is for M-1 growth of $4bn to as much as $7bn.

A late *afternoon* blue chip slide took the Dow Jones Industrial average 14.43 lower to 1,215.04, although in the broader market there were still 649 issues showing gains against the 875 on the decline. Volume was subdued at 70.89m shares.

The focus of distress was in the credit markets, *despite two separate* interventions by the Federal Reserve –first with four-day system repurchases and then an offer to buy bills of all maturities, both infrequently used mechanisms aimed at aiding solidity.

But the rally this brought was only partial. Although short-term rates came back to their overnight levels, prices of government paper at the long end shed a net third of a point.

This came in the midst of preparations to accommodate the Treasury's $14.25bn *funding* exercise over the next week, and dealers were quick to mark down the prices at which they are offering the securities on a when-issued basis.

Market participants on the equity side were more optimistic, though. One dealer with a major broking firm said investors *had taken the output and payments* data on board yesterday and were content merely to hold back.

At the same time, there remained "a lot of cash around" waiting for the incentive to draw it back in. He pointed out that those declines which had occurred over the past few weeks mainly took the form of a reluctant drift in thinnish volume, whereas the gains had been swift, assured, and substantial in turnover.

Monday's sudden swerve away from peak levels – the one exception – did a lot of damage, he said, and had made most more wary as a result although not unwilling in principle to augment portfolios.

Scattered gains were to be found particularly in the transport sector, with the airlines currently benefiting from improved traffic and load factor and attention drawn to the railway issues by the Burlington Northern takeover operations.

Eastern Airlines was steady at $6⅞ and Trans World firmed $⅛ to $25⅝, while of the rail stocks CSX was in demand but held at $71⅞ and Union Pacific added $⅝ to $57⅞. Profit-taking on Bur*lington Northern's recent strength this* time pulled it $1⅛ lower at $95½, however.

All these stocks are represented in the 20-issues Dow Jones Transportation average which outperformed much of the market, slipping just 2.29 to 561.40.

The Detroit car makers, not included in the index, were featured again by Chrysler. Its preferred stock was to the *fore on the actives list, adding* $1⅞ to $37⅞, after Wednesday's announcement that it was to catch up on four years of missed dividends on these, while the common stock relinquished $¾ to $29⅛.

One of the day's better gains came from Dr Pepper, the third-ranker in U.S. soft drinks, which put out feelers for a possible merger or asset sale. The stock jumped $2⅞ to $16.

Word from W. R. Grace that the retailer *might undertake a public sale of* corners of its business caused no great flurry, and it held steady at $47⅞.

Ogden Corporation, on the other hand, gained $1⅛ at $37⅞ on news of a spin-off of its marine division to shareholders, possibly tax-free. When untethered from the parent, Ogden Marine will trade over-the-counter.

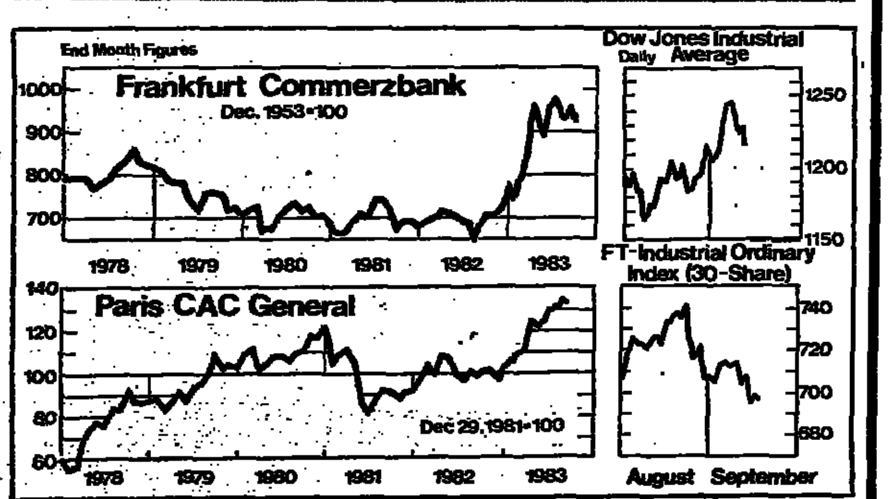
KN Energy, the subject of a bid by Mesa Petroleum valued at $54.25 a share, shed $4 of its $11 leap on Wednesday to settle at $52.

The scaling down of Baldwin-United, the cause of a $1¼ drop in its price the previous day to $5½, brought a further selloff yesterday *taking it down to* $4¾.

The government bond market, with Fed Funds at an obstinately high 9⅝ per cent, showed initial rises of three basis points in the discount on three- and six-*month Treasury bills,* but these *later* returned to a respective 9.08 and 9.24 per cent.

The 12 per cent bond of 2013 dipped as low as 101 19/32 before reviving somewhat to 101 22/32 against the previous 102 2/32. Corporate and municipal trading was similarly unsettled.

KEY MARKET MONITORS



STOCK MARKET INDICES	Sept 15	Previous	Year ago
NEW YORK			
DJ Industrials	1215.04	1229.47	930.46
DJ Transport	561.40	563.69	374.33
DJ Utilities	132.13	131.74	117.34
S&P Composite	164.38	165.35	124.29
LONDON			
FT Ind Ord	696.90	699.80	570.10
FT-A All-share	445.59	447.06	352.62
FT-A 500	481.01	483.05	389.88
FT-A Ind	431.00	432.50	360.83
FT Gold mines	647.10	666.80	366.70
FT Govt secs	80.82	80.82	77.57
TOKYO			
Nikkei-Dow	closed	9274.11	7096.3
Tokyo SE	closed	682.09	532.77
AUSTRALIA			
All Ord.	724.4	725.8	494.7
Metals & Mins.	587.0	598.1	405.0
AUSTRIA			
Credit Aktien	55.20	55.14	48.40
BELGIUM			
Belgian SE	131.34	131.40	100.25
CANADA			
Toronto Composite	2544.8	2568.9	1627.9
Montreal Industrials	455.82	459.77	296.81
Combined	428.92	432.19	280.08
DENMARK			
Copenhagen SE	200.08	201.11	86.45
FRANCE			
CAC Gen	132.90	133.00	99.10
Ind. Tendance	141.90	141.80	114.80
WEST GERMANY			
FAZ-Aktien	309.48	307.86	227.09
Commerzbank	917.70	912.70	688.00
HONG KONG			
Hang Seng	898.68	889.09	1090.26
ITALY			
Banca Comm.	196.73	197.49	163.28
NETHERLANDS			
ANP-CBS Gen	138.60	139.30	86.70
ANP-CBS Ind	110.50	111.40	88.40
NORWAY			
Oslo SE	212.12	210.88	104.59
SINGAPORE			
Straits Times	965.40	969.46	637.41
SOUTH AFRICA			
Golds	899.7	923.2	669.8
Industrials	949.9	948.0	619.2
SPAIN			
Madrid SE	115.88	116.23	100.10
SWEDEN			
J&P	1508.48	1507.33	641.80
SWITZERLAND			
Swiss Bank Ind	336.10	336.60	249.80
WORLD	Sep 14	Prev	Yr ago
Capital Int'l	178.50	178.70	135.70

GOLD (per ounce)	Sept 15	Prev
London	$406.625	$403.375
Frankfurt	$406.75	$401.75
Zürich	$406.50	$402.50
Paris (fixing)	$405.55	$406.00
Luxembourg (fixing)	$405.00	$406.75
New York (Sept)	$406.20	$408.40

* Indicates latest pre-close figure

CURRENCIES	U.S. DOLLAR Sept 15	U.S. DOLLAR Previous	STERLING Sept 15	STERLING Previous
(London)				
$	—	—	1.4975	1.4905
DM	2.6785	2.6855	4.0125	4.0050
Yen	244.50	245.25	366.50	365.75
FFr	8.0875	8.1050	12.1075	12.0800
SwFr	2.1765	2.1845	3.2625	3.2600
Guilder	2.9940	3.0020	4.4850	4.4775
Lira	1603.00	1605.50	2400.00	2392.50
BFr	54.08	54.15	81.00	80.70
C$	1.23325	1.22225	1.84700	1.83850

INTEREST RATES	Sept 15	Prev
Euro-currencies (three month offered rate)		
£	9 13/16	9⅞
SwFr	4 7/16	4⅜
DM	5 11/16	5⅝
FFr	15⅛	15⅝
FT London Interbank fixing (offered rate)		
3-month U.S.$	10⅛	10
6-month U.S.$	10⅜	10¼
U.S. Fed Funds	9⅝	9⅝
U.S. 3-month CDs	9.60*	9.55
U.S. 3-month T-bills	9.07	9.12

U.S. BONDS	Sept 15 Price	Sept 15 Yield	Prev Price	Prev Yield
Treasury				
10⅞ 1985	99 25/32	10.93	99 26/32	10.82
10⅛ 1990	95 28/32	11.67	95 28/32	11.66
11⅝ 1993	101 12/32	11.74	100 28/32	11.71
12 2013	101 18/32	11.78	102 2/32	11.72
Corporate				
AT&T				
10⅜ June 1990	92.85*	11.95*	93⅞	11.80
3⅞ July 1990	67⅞*	10.85*	68.04	10.60
8⅜ May 2000	74⅞*	12.35*	75⅞	12.30
Xerox				
10⅞ March 1993	91.55*	12.15*	92⅝	12.00
Diamond Shamrock				
10⅞ May 1993	89⅞*	12.55*	89⅞	12.50
Federated Dept Stores				
10⅜ May 2013	86.064*	12.40*	12.30	86.751
Abbot Lab				
11.8 Feb 2013	95.267*	12.40*	12.30	96.023
Alcoa				
12⅛ Dec 2012	95.047*	12.90*	12.80	95.772

FINANCIAL FUTURES	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
September	70-27	71-12	70-23	71-07
U.S. Treasury Bills (IMM) $1m points of 100%				
December	89.75	89.83	89.76	89.81
Cert Deposit (IMM) $1m points of 100%				
September	90.47	90.48	90.45	90.52
LONDON				
Three-month Eurodollar $1m points of 100%				
December	89.69	89.72	89.65	89.78
20-year Notional Gilt £50,000 32nds of 100%				
September	104-03	105-31	103-21	103-27

COMMODITIES	Sept 15	Prev
(London)		
Silver (spot fixing)	778.95p	787.20p
Copper (cash)	£1036.50	£1058.50
Coffee (Sept)	£1759.50	£1737.00
Oil (spot Arabian light)	$28.62	$28.65

EUROPE

M-1 fears keep buyers in check

UNCERTAINTY over today's announcement of U.S. money supply figures and their impact on American – and therefore world interest rates kept institutional investors waiting in the wings on *the bourses yesterday.* Wednesday's modest rise on Wall Street was deemed inadequate as a pointer and prices generally drifted lower in sparse trading.

Early buying interest based on the New York close soon dried up in **Frankfurt** and, although the midday Commerzbank index showed a 5 point gain to 917.7, afternoon trades tended towards lower levels.

The electrical sector typified the mood. BBC closed with a DM 2 gain to DM 219 after failing to hold early highs of DM 222, and AEG scored a DM 1.30 *rise to DM 80.10 after hitting* DM 81. But Siemens shed DM 1.20 to DM 334.

Engineerings were similarly mixed, but metals drifted lower – Metallgesellschaft dropping DM 5.50 to DM 202, Degussa DM 3 to DM 340 and Preussag the same amount to DM 265.

In motors, VW showed a DM 1 loss to DM 214.50 *after touching DM 216.50* early on, while Daimler rose DM 1 to DM 567.50. BMW went DM 3.50 ahead at DM 379.50.

Domestic bonds eased as much as two basis points, reflecting the weight of Treasury borrowing on U.S. credit markets.

The announcement of details of the French budget had little effect in **Paris** since it contained little to worry the corporate *sector,* but *inflation figures* suggesting a rise in retail prices discouraged some buyers.

The bias was slightly firmer, nevertheless, at the end of an uneventful session. *A degree of strength returned to* oils, where Elf gained FFr 2.80 to FFr 179.8, and chemicals, with Roussel-Uclaf FFr 23 ahead at FFr 467.

Stores also improved, Scoa trading FFr 3.7 higher at FFr 38.6, but financials, motors, minings and engineering stocks tended easier. Foods and con*structions* were mixed.

A switch of buying interest to bonds following the successful state loan tender was blamed for limited buying interest in **Amsterdam.**

Selling pressure, mainly from domestic investors, took most issues lower and few improved. Among internationals, Akzo *slipped* Fl 2.2 to *Fl 75.8* and Hoogovens Fl 33.5. Unilever, bolstered by U.S. brokers' recommendations, closed 4 cents up at Fl 226.9 after a high of Fl 229.

Heineken fell Fl 1.7 to Fl 119.5 because of expectations of a rise in alcohol duties in next week's budget, and builder Boskalis lost a similar amount to Fl 46.1 ahead of half-year figures.

Banks declined, with ABN Fl 2 lower at Fl 360 and NMB off Fl 1 at Fl 144.

The widening of Belgium's nationwide transport strike to other public services yesterday kept trade light in **Brussels.** *The all share index slipped marginally* from 343.75 to 343.51.

Business was equally sluggish in **Zurich,** where investors sought in vain for price-sensitive trends. Industrials eased a shade but other sectors closed mixed.

Interest rate uncertainties overshadowed the bond market and prices of domestic *issues finished* barely steady in thin, featureless trading. Issues with coupons below 5 per cent were untraded or declined.

Fresh buying selectively offset end-account liquidation in active and nervous trading in **Milan.**

Pirelli SpA shed L55 to L1,595 on forecasts of slack demand for commercial vehicle tyres, while Montedison lost L1.4 to L213.

Madrid *prices turned mixed to lower* in slow trading.

TOKYO

Japan looks to futures

IT IS ALMOST certain that Japan will establish a financial futures market in Tokyo in 1985, following the lead of the U.S. and Britain, *writes Shigeo Nishiwaki of Jiji Press.*

The Tokyo Stock Exchange (TSE) is expected to start preparatory work for the creation of such a market when it receives concrete proposals during November from the Japan Securities Research Institute, voice of the securities industry.

The Finance Ministry is nervous about speculative operations in the financial markets, and there has been general agreement until now that a financial futures market in Japan would be created only in the distant future.

Tokyo stock markets were closed all day Thursday for a national holiday.

The new mood is prompted by the fact that financial markets in Japan have become increasingly vulnerable to changes *in overseas interest rates.*

At the same time, there is concern that continuing massive government bond issues in the years ahead will adversely affect the financial markets.

The Finance Ministry estimates that government bonds outstanding will reach a high of Y130,000bn by the end of March 1986, and that refunding bonds worth more than Y10,000bn will have to be issued in each of the subsequent years.

Hence, there is a growing need for fi*nancial institutions and institutional in*vestors which hold large amounts of government bonds to hedge against interest rates changes. *A futures market* for bonds is essential if the pace of government bond issues is to be maintained.

The Finance Ministry has not yet formally clarified its stance towards creation of a financial futures market in Tokyo, but seems likely to approve the *scheme within the confines of the exist*ing Securities and Exchange law.

Under the plan now developing within the securities industry, transactions in financial futures will be limited to one or two government bonds having a substantial amount of outstandings, unlike activity in the International Monetary Market (IMM) *and the London Interna*tional Financial Futures Exchange (LIFFE).

The TSE is planning also to establish a bond futures market with a membership of 83 securities firms and to attract speculative funds from abroad.

LONDON

Results lift tone as rally fades

AFTER Wednesday's unconvincing technical rally in London, leading equities yesterday soon gave up an attempt to take the movement any further.

Blue chip issues saw early gains transformed into small losses, and the FT Industrial Ordinary share index, up 2.7 at 10am, ended with a net fall of 2.9 at 696.9.

The fresh bout of weakness in copper, zinc and aluminium prices and a poor showing by overnight Sydney and Melbourne markets left Australians with widespread falls although a number of firm features emerged from the speculative gold issues. *Details Page 33, Share Information Service Pages 34–35.*

AUSTRALIA

RENEWED interest in industrial stocks countered another bout of profit-taking among resource issues in **Sydney** yesterday.

A dull Wall Street performance on Wednesday, coupled with forecasts of a jump in U.S. M-1 money supply, exerted heavy pressure on base metal miners, eroding the gains made earlier in the week.

The All Ordinaries index closed 1.4 points easier at 724.4, but the all industrials component gained 3.9 to a new high of 882.5.

SINGAPORE

SELLERS outnumbered buyers in Singapore, where light, apprehensive trading saw most issues lose ground and the Straits Times index drop 4.06 points to 965.40.

Fears of the effect a rumoured U.S.$8bn gain in U.S. money supply could have on local interest rates, coupled with uncertainty over the coming Malaysian budget, kept investors on the sidelines.

HONG KONG

A FIRMER local currency strengthened prices at the opening in Hong Kong and, although momentum was lost when the exchange rate worsened again, the Hang Seng index registered a worthwhile 9.59 gain to 898.68 after hitting a three-month low on Wednesday.

SOUTH AFRICA

MINING issues took the brunt of what one dealer described as "an uneasy and hesitant market" yesterday in **Johannesburg.**

Hartebeestfontein continued to lose ground by shedding R3.50 to R89.50, a drop of R6.50 in two days. Driefontein Consolidated fell 75 cents to R37.75.

CANADA

BRIGHT spots in the Canadian stock markets were difficult to find yesterday with setbacks in both the **Toronto** and **Montreal** exchanges by midsession.

Golds were the weakest sector in Toronto followed by minings and metals, while oil and gas issues also drifted lower.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¾	6¾	AAR	.44	3.0	21	14	15	14¾	14¾	−¼
40⅝	28½	ACF	1.40	3.4	49	2462	u41⅞	39¾	41½	+⅞
20	14½	AMF	.50	3.1		407	16⅜	16	16⅛	+⅛
38¼	13¾	AMR Cp			43	2821	29½	28⅞	28½	−¼
18⅞	14⅛	AMR	pf2.18	12.		32	18¼	18⅛	18⅛	−⅛
39⅞	24⅝	AMR	pf2.13	6.6		23	32½	31⅞	32⅛	+⅝
15⅛	2½	APL				40	14⅞	14⅝	14⅝	
55	31¼	ARA	2.05	4.0	13	55	51	50¾	50⅞	−⅛
79⅞	42¾	ASA	3a	4.7		406	64½	63	63⅞	−¾
33¼	9¾	AVX	s.32	1.2	64	42	26⅞	25⅞	25⅞	−¼
50¾	34¼	AbtLab	1	2.1	18	891	47½	46¾	46¾	−⅝
30⅞	24	AccoW	n.50	2.0	19	30	25	24¾	24⅞	−⅛
27½	16¾	AcmeC	.40	1.6		3	24½	24⅜	24⅜	−⅛
14⅜	6⅞	AcmeE	.32b	2.8	284	13	11½	11⅜	11⅜	−⅛
21½	6¾	AdmDg	.04	.2	16	23	20¾	20	20½	
17⅞	14	AdaEx	1.73e	10.		122	17⅛	17	17⅛	+⅛
19¾	6⅞	AdmMl	.24	1.4	9	15	17¼	17	17	
18¾	8½	Advest	s.12	.8	8	118	16¼	15¾	16¼	
34⅞	8⅞	AMD	s		65	3424	30¾	29	29¾	+1
44⅞	32⅞	AetnLf	2.64	7.3	7	1410	36⅞	36⅜	36⅜	
65	52½	AetL	pf5.18e	9.1		51	56⅞	56⅞	56⅞	
40½	13½	Ahmns	.60	2.1	16	887	29⅝	29¼	29	−¼
7⅞	2⅞	Aileen				117	5½	5⅜	5⅜	
61	26⅞	AirPrd	1	2.1	14	433	49	48⅞	48⅞	−¼
27¼	12½	AirbFrt	.60	2.5	24	44	24½	24¼	24¼	−½
2⅞	1½	AIMoa	s		17	z211	1⅞	1¾	1⅞	
33½	27	AlaP	pfA3.92	13.		15	30	29½	30	+⅛
7⅞	6⅛	AlaP	dpf.87	13.		23	7	6⅞	6⅞	−⅛
74½	60½	AlaP	pf 9	13.		z120	68	68	68	
71	55¾	AlaP	pf8.16	13.		z200	62¾	62¾	62¾	+1¼
70	55½	AlaP	pf8.28	13.		z50	63	63	63	

Continued on Page 31

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 30

[illegible]

Continued on Page 32

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

WORLD STOCK MARKETS

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 31

NEW YORK CLOSING PRICES

Continued from Page 31

CANADA

DENMARK

NETHERLANDS

AUSTRALIA

JAPAN (continued)

FRANCE

NORWAY

HONG KONG

SPAIN

GERMANY

SWEDEN

SINGAPORE

AUSTRIA

BELGIUM/LUXEMBOURG

SWITZERLAND

JAPAN

SOUTH AFRICA

ITALY

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

MONTREAL

TORONTO

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

(**) Saturday Sept. 10: Japan Dow (c) TSE (c). Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrial. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON STOCK EXCHANGE

MARKET REPORT

Uneasy markets further unsettled by imminent BP sale

Bid features—Golds down again

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 5	Sept 15	Sept 16	Sept 26
Sept 19	Sept 29	Sept 30	Oct 10
Oct 3	Oct 13	Oct 14	Oct 24

*" New-time " dealings may take place from 9.30 am two business days earlier.

After Wednesday's unconvincing technical rally, leading equities yesterday soon gave up an attempt to take the movement any further. End-Account considerations came into play together with a general air of unease on talk that last week's news of a sharp drop in U.S. basic money supply may well be reversed in the figures due to be announced after Wall Street closes today.

Investment interest was further curbed by the conviction that underwriting for the Government's £500m sale of BP shares is under way for a tender offer at a minimum price of 380p to be announced next Monday. Under the lead of BP, finally 4 down at 428p after extremes of 434p and 424p, blue chip issues saw early gains transformed into small losses, and the FT 30-share index, up 2.7 at 10 am, ended with a net fall of 2.9 at 696.9.

Numerous firm features emerged from another lengthy list of company trading statements, Turner and Newall being prominent following much better interim figures than expected. Takeover highlights featured Tecalemit on the Siebe Gorman bid and Wheeler's Restaurants on the approach for the family's controlling interest. Some "new-time" buyers were about for current speculative favourites such as Hoover. Falls again outnumbered rise in FT-quoted Industrials, but the ratio narrowed from 2:1 to 3:2.

Trading in British Funds remained subdued on interest rate uncertainties ahead of the U.S. money supply figures. Quotations moved only narrowly and irregularly; gains in the mediums rarely exceeded ¼, while the longs were generally ¼ off, where changed. Index-linked stocks, on the other hand, showed gains ranging from ¼ to ¾, Treasury 2 per cent 1988 closing the latter amount up at 102¾. The announcement by the Chancellor of the Exchequer of new tax rules governing UK investors in offshore and overseas roll-up funds from January 1 next came well after the market's close. In the late business, prices of index-linked and conventional short-dated gilts were being marked higher in anticipation of the repatriation of investment funds in the "period of grace."

Rockware 7.7 per cent Convertible Preference began life at a small premium to close at 102p compared with the placing price of 100p.

Eagle Star featured Composite Insurances, rallying 8 to 441p following comment on the interim results. Life issues turned easier after the previous day's strength which stemmed from Legal and General's impressive interim results. Sentiment was affected by Government plans to change the pension rights for employees wishing to change jobs.

Among the occasional movements in quiet Breweries, Bass encountered further offerings and gave up 7 more to 315p, while the disappointing interim statement prompted a reaction of 10 to 109p in Boddingtons.

Interest in the Building sector was at a relatively low level with quotations drifting lower on scattered offerings. Still reflecting the poor preliminary figures, Robert M. Douglas encountered fresh selling and gave up 6 more to 60p. Revived nervous offerings left French Kier 4 cheaper at 97p. Against the trend, AMEC hardened a couple of pence to 223p following comment on the interim figures, while revived demand left Edward Jones 2 firmer at 34p.

ICI traded quietly before settling a couple of pence cheaper at 524p.

Mellins dip & rally

Mellins became a volatile market among secondary Stores, dropping to a 1983 low of 92p *on nervous selling prior to the* announcement that Bambers had been placed in voluntary liquidation before rallying to close only a net 5 down on balance at 102p following the board's reassuring statement concerning the company's financial involvement with Bambers. Elsewhere, doubled first-half profits prompted a rise of 7 to 114p in WW. A. G. Stanley attracted early support and had risen 4 to 48p before dealings in the shares were suspended around noon at the company's request pending publication of reorganisation particulars. Ahead of the interim figures scheduled for September 29, Harris Queensway claimed further attention and finished 10 dearer at 286p.

After the previous day's rise of 13 which followed an analysts' meeting called to clear up the so-called "misinterpretation" of last week's gloomy annual statement, Thorn EMI turned easier yesterday, touching 595p before closing a net 7 down on the day at 598p. Other leading Electricals passed a quiet session with GEC reacting from an initial firm level of 200p to close 4 down on balance at 194p. Elsewhere, Godwin Warren Control System, dealt in the Unlisted Securities Market, jumped 9 to 84p on an investment recommendation. Lec Refrigeration moved up 15 in a thin market to 290p, while new-time buying lifted Pressac 7 to 115p.

With the exception of Hawker, another 4 down at 290p, leading Engineerings closed above the day's lowest. GKN also closed 4 off, at 170p, after 168p, while TI lost 2 at 140p, after 136p. Secondary issues were featured by Tecalemit which jumped 17 to 46p on the share exchange or cash alternative offer from Siebe Gorman, 7 lower at 350p. In the same line of business, Tolex jumped 8 to a year's high of 62p. *Trading news lifted Richards* (Leicester) 2 to 46p, but lowered Banro Industries 4 to 45p, after 52p.

Foods were one of the few resilient areas. Sainsbury gained 7 to a year's peak of 435p. Avana were also bought and closed 15 up at 492p, while S. and W. Berisford put on 6 at 171p. Bejam were not left behind at 147p, up 5, but Northern Foods ran into offerings and settled 4 down at a 1983 low of 162p. In reply to increased first-half profits, United Biscuits advanced a couple of pence to 152p, after 154p.

Wheeler's Restaurants were raised 40 to a 480p basis on news that six family trusts holding a combined stake of over 51 per cent have received a bid approach. In contrast, Garfunkels reacted to 153p before ending 5 down on the day at 157p following "take profits" advice in a tip sheet.

Polly Peck good

Mr Asil Nadir's Polly Peck returned to the limelight in miscellaneous industrials, rising 3 points to £30 on news of the 7-year food produce contract agreed with Alberta Abela Corporation, a Middle Eastern catering consortium. Associated concerns Cornell and Wearwell moved up in sympathy, the former closing 15 up at 285p and the latter 3 better at 84p. Elsewhere, Turner and Newall stood out with a jump of 7 to 86p in response to the much better-than-expected interim profits recovery. UKO International, an old takeover favourite, replied to fresh speculation with a jump of 14 to 97p, while S. Pearson continued to draw strength from the good first-half figures with a rise of 12 making an advance on the week so far of 42 at 374p. Awaiting news of the bid discussions with the American parent company, Hoover "A" gained 10 to 200p.

Emray reflected the bumper profits with a rise of 3½ to 13½p and Sale Tilney also improved after trading news, closing 8 better at 213p. AB Ports put on 3 to 193p following the half-yearly figures and Central and Sheerwood Trust found support and rose 3½ to 13½p prior to late news of the chairman's resignation. By way of contrast, Booker McConnell cheapened 4 to 88p, after 87p, on disappointment with the half-year results.

Ford main dealers Harold Perry Motors moved up to 90p on the increased first-half profits before slipping to close a penny lower on balance at 86p.

Liverpool Daily Post highlighted Newspapers, rising 13 to 183p, after a 1983 peak of 185p, in response to improved half-year results. Specialist packaging and printing concern Bemrose also made a high for the year of 213p, up 5, while John Waddington picked up 7 more at 268p reflecting BPCC's continuing interest in the group. Advertising agencies lost further ground with Saatchi and Saatchi closing 10 down at 480p and More O'Ferrall 3 off at a 1983 low of 65p.

Still reflecting Sterling Guarantee's stake in the company, P and O Deferred firmed 3 for a two-day gain of 12 to 224p.

Company trading statements enlivened an otherwise quiet trading session in Textiles. Sirdar responded to the good preliminary results and proposed one-for-one scrip issue with a rise of 6 to 190p, after 192p, while British Mohair, reflecting the increased interim dividend and profits and the board's favourable outlook advanced 5 to 90p.

Oils above worst

Persistent talk that the Government sale of BP shares was imminent caused renewed nervousness in Oils. Quotations took a distinct turn for the worse after the previous day's recovery, but a subsequent rally left most prices above the day's lowest. BP ended 4 off at 428p after being down to 422p at one stage. Adverse comment on the interim figures prompted an above-average setback in Burmah, which traded briskly between extremes of 176p and 180p before settling at 177p with a fall of 7. Irish stocks passed a relatively quiet session, with Atlantic Resources, 380p, and Eglinton, 260p, both closing 5 lower.

Golds down again

The continued weakness of precious and base-metal markets led to another substantial setback in mining markets.

Extreme nervousness in the bullion markets led to gold dipping below $400 an ounce in overnight American markets before a rally in London prompted a closing level of $406.625, a net gain of $3.375.

South African Golds were marked down sharply at the outset and thereafter showed little change before staging a modest rally in the late afternoon.

However, the initial markdown was sufficient to lower the Gold Mines index by a further 19.7 to 647.1, a three-day fall of 47 points.

Heavyweights were featured by Randfontein, which dropped £4½ to £95½, Vaal Reefs, which gave up £2½ to £84¾ and Hartebeest, which fell £1½. Cheaper-priced issues showed West Rand Consolidated 67 off at 503p.

South African Financials and Platinums were equally depressed. Impala dropped 50 to 910p and Rustenburg 45 to 745p, the latter following further heavy selling from West Germany.

The fresh bout of weakness in copper, zinc and aluminium prices and a poor showing by overnight Sydney and Melbourne markets left Australians with widespread falls although a number of firm features emerged in speculative Golds.

Allstate moved up 7 to a 1983 high of 50p on the company's participation in the gold find announced by Renison.

On the downside, Spargos fell 2 more to 31p and Metana a further 12 to 130p for a three-day setback of 57. Pacific Copper added 12 at 77p on the increased bid from Bond Corporation.

The oil discovery by Pancontinental Petroleum in the Cooper Basin encouraged heavy buying of the participants; Pancontinental hardened 2½ to 25p, Sydney Oil surged ahead and doubled in price to 65p while Bligh Oil jumped 25 to 70p.

GKN and BP dominated proceedings in the Traded Option market where total turnover was slightly up on Wednesday's at 1,849, comprising 1,138 calls and 711 puts. GKN recorded 337 deals with 206 calls done in the September 155 series, while BP contributed 239 contracts as the market awaited details of the Government's £500m BP share sale.

FINANCIAL TIMES STOCK INDICES

	Sept. 15	Sept. 14	Sept. 13	Sept. 12	Sept. 9	Sept. 8	year ago
Government Secs. ...	80.82	80.82	80.82	80.82	79.96	79.97	77.67
Fixed Interest	83.14	83.09	83.11	83.09	82.42	82.38	78.76
Industrial Ord.	696.9	699.8	695.8	707.9	704.9	713.6	570.1
Gold Mines	647.1	666.8	674.2	694.5	691.0	683.6	366.7
Ord. Div. Yield	4.91	4.88	4.89	4.82	4.83	4.76	5.13
Earnings, Yld.% (full)	9.69	96.3	9.77	9.62	9.65	9.51	11.21
P/E Ratio (net) (*)	12.90	12.98	12.75	12.96	12.92	13.11	10.71
Total bargains.	16,532	18,624	19,744	19,184	18,020	18,730	16,898
Equity turnover £m.	—	169.65	182.92	190.32	190.52	213.00	163.22
Equity bargains.......	—	14,048	15,832	16,115	14,476	14,927	13,075
Shares traded (ml) ...	—	108.3	116.2	128.9	121.2	127.3	139.7

10 am 702.5. 11 am 699.5. Noon 697.7. 1 pm 698.2. 2 pm 699.2. 3 pm 698.4.

Basis Govt. Secs. 16/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/10/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil = 12.13.

HIGHS AND LOWS

	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs...	83.60 (13/6)	77.00 (24/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int....	84.74 (13/6)	79.03 (1/2)	150.4 (28/11/47)	50.53 (6/1/75)
Ind. Ord.	740.4 (2/5)	598.4 (17/1)	740.4 (2/5/83)	49.4 (26/6/40)
Gold Mines	734.7 (18/2)	531.5 (2/3)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Sept. 14	Sept. 15
—Daily Gilt Edged Bargains...	133.4	155.3
Equities Bargains...	91.0	102.6
Value ...	342.9	366.7
5-day Average Gilt Edged Bargains...	146.4	149.1
Equities Bargains...	97.7	102.2
Value ...	388.6	416.8

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (47)

AMERICANS (2): Colt Inds., General Foods Corp.
CANADIANS (2): Rio Algom, Toronto Dom. Bank
BANKS (2): ANZ, Nat. Com. Bk. Aust.
BUILDINGS (1): Jones (Edward)
STORES (1): W. W. Group
ELECTRICALS (3): Godwin Warren Cont. Syst., Lec Refrigeration, Tecalemit
ENGINEERING (3): Carter Brs., Richards (Leics.)
FOODS (4): Bluebird Confectioner, Linfood, Sainsbury (J.)
HOTELS (2): Kennedy Brookes, Wheeler's Rests.
INDUSTRIALS (10): Bridport-Gundry, Pearson (S.), B. H. Prop., Centreway Inds., Simpson (S.) "A", UKO Intl.
LEISURE (1): HTV Non-Vtg.
MOTORS (1): Solex "A"
NEWSPAPERS (1): Liverpool Daily Post
PAPER (2): Bemrose, Carlton Comms.
SOUTH AFRICANS (1): Tiger Oats
TEXTILES (2): British Mohair, Sirdar
TRUSTS (7): Aitea Inv., Drayton Cons., Drayton Premier, J.Y. Japan, Severne Trust
OILS (1): Ohio Res.
OVERSEAS TRADERS (1): Finlay (James)
PLANTATIONS (1): Anglo-Indonesian
MINES (1): Allstate Expln.

NEW LOWS (27)

BANKS (1): Grindlays
BREWERS (3): Boddingtons, Greenall Whitley, Greene King
BUILDINGS (3): Douglas (Robert M.), French Kier, Redland
CHEMICALS (1): Amersham Intl.
STORES (5): Eagle (G. B.), GUS, GUS "A", Mellins, Superdrug Stores
ELECTRICALS (2): Crystalate
ENGINEERING (4): Barro Inds., Mining Supplies, Stavely Inds.
FOODS (1): Northern Foods
INDUSTRIALS (4): Johnson Matthey, Pritchard Servs., Stag Furniture
LEISURE (1): Intervision Video
PAPER (1): More O'Ferrall
MINES (1): Admiral Mines

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	38	17	46
Corpns. Dom. and Foreign Bonds	6	3	66
Industrials	177	285	910
Financial and Prop.	65	84	270
Oils	16	34	62
Plantations	4	2	15
Mines	14	77	73
Others	62	50	76
Totals	380	552	1,621

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Sept 12	Sept 23	Dec 8	Dec 19
Sept 26	Oct 7	Dec 22	Jan 3
Oct 10	Oct 21	Jan 5	Jan 16

For rate indications see end of Share Information Service

Call options were taken out in Selincourt, W.E. Norton, Pavillion Leisure, Talbex, Woodside, Phoenix Properties, Premier Consolidated, Early's of Witney, 600 Group, Coronation Syndicate, First Castle, Windsor Resources, Bats and Combined Technologies. No puts or double options were reported.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Atlantic Res.	380	− 5
BP	428	− 4
Burmah Oil	177	− 7
Douglas (Robert M.)	60	− 6
Mellins	102	− 5
Pearson (S.)	374	+12
Polly Peck	£30	+ 3
Rustenburg Plat.	745	−45
Solex A	48	+ 8
Tecalemit	46	+17
Turner and Newall	86	+ 7
UKO Intnl.	97	+14

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Glaxo	23	785	+30
BTR	19	514	−10
Eagle Star	15	433	− 5
Thorn EMI	13	605	+13
Hanson Trust	12	218	− 5
P&O Defd.	11	221	+ 8
Royal Insur.	11	500	+ 5
Shell Trans.	11	626	+12
Cable Wireless	10	475	+ 9
Unilever	10	792	+ 7
Woolworth	10	463	+ 7
Beecham	9	352	+ 3
GEC	9	198	+ 3
ICI	9	526	—

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ⊕ Figures or report awaited. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (for fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. ‡ Effective issue price after scrip. † Formerly dealt in under special rule. †† Dealt in under Rule 163 (3).

I. D. & S. Rivlin

On turnover up from £1.25m to £1.35m, I. D. and S. Rivlin Holdings, textiles and domestic furniture merchant, reports a swing back into profit for the year to April 30 1983. Profits were £24,293 against losses of £324,459. The dividend is 0.1p as forecast—this being the first dividend since 1977.

There were minorities of £2,430 (£333) and an extraordinary debit this time of £142,782.

No probe

The following mergers are not being referred to the Monopolies and Mergers Commission: Den Norske Creditbank/Nordic Bank; Consolidated Contractors Group/Capper Neill; Chemical Bank International/Rosshold/KCA Drilling Group; and McKechnie Brothers/Rod and Wire Business of IMI.

Newey Group

A rise in pre-tax profits at Newey Group from £316,989 to £373,526 for the 26 weeks to July 1 1983 is described as underlining the orderly progress taking place within the group, say the directors.

Turnover of this wholly owned subsidiary of William Prym-Werke, which makes hooks and eyes and other assorted smallware, increased from £5.71m to £6.5m.

The UK subsidiary Newey Goodman continued to trade profitably, with the exception of Australia, where the general climate of recession restricted margins. All overseas subsidiaries traded at an increased level of profit.

Pre-tax profits were struck after interest payments down from £239,397 to £187,621. Tax took £56,636 against £21,716, and minorities £11,072 (£6,373).

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thur Sept 15 1983

FIXED INTEREST

	PRICE INDICES	Thur Sept 15	Day's change %	Wed Sept 14	xd adj. today	xd adj. 1983 to date
	British Government					
1	5 years	117.19	+0.03	117.16	—	7.65
2	5-15 years	129.13	+0.07	129.03	—	9.39
3	Over 15 years	138.46	−0.08	138.57	—	10.29
4	Irredeemables	149.05	+0.21	148.73	—	8.90
5	All stocks	128.11	+0.02	128.08	—	9.11
6	Debentures & Loans	103.52	+0.01	103.49	—	7.41
7	Preference	76.73	+0.04	76.70	—	5.04

AVERAGE GROSS REDEMPTION YIELDS

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 7,959

A=Asked B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Sept. 15 Total Contracts 1,849 Calls 1,138 Puts 711

* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

LOANS—continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, H.P. & LEASING

[illegible]

BANKS—Continued

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued.

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا متن الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—continued

1983 High	Low	Stock	Price	+ or -	Div. Net	C'vr	Y'ld Gr's
		Australians					
28½	13½	♥ACM 20c	17	...	—	—	—
50	32	Allstate Explo NL	50	+7	—	—	—
25	11	Balmoral Resources	17½	+½	—	—	—
60	37	♥Black Hill Mins.	53	-1	—	—	—
85	51	♥Bond Corp	81	-2	Q010c	2.3	7.3
[illegible]							
		Tins					
[illegible]							
		Miscellaneous					
170	60	Admiral Mines	60	-3	—	—	—
90	34	♥Anglo-Dominion	78	...	—	—	—
93	54	♥Anglo Utd. Dev.	65	-2	—	—	—
169	60	♥Colby Res Corp	140	...	—	—	—
530	315	Cons. Murch. 10c.	530	...	±Q60c	1.9	‡
240	170	Hampton Areas 10p	227	...	3.75	2.1	2.2
195	103	♥Highwood Res.	190	-5	—	—	—
£24½	£18	Homestake Mining $1	£23	+⅝	hQ20c	—	0.6
495	330	Northgate C$1	395	-5	—	—	—
672	437	R.T.Z.	650	-2	t17.0	1.9	3.7
£147½	£108	Do 9½%Cu.Un.Ln.95-2000	£141	-2	Q9½%	21.4	(6.8)
190	13	♥Sabina Inds C$1	115	...	—	—	—
		For Southwest Res see Oil & Gas					
710	312	♥Tara Exptn $1	690	...	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK Listed; dealings permitted under Rule 163(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.

[illegible]

payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

			IRISH		
			Nat. 9¾% 84/89	£87¼	...
			Fin. 13% 97/02	£95½	...
Albany Inv. 20p	63	+1	Alliance Gas	88	...
Bdg'wtr. Est. 50p	275	...	Arnott	203	...
Craig & Rose £1	£10½	...	Carroll (P.J.)	109	-1
Finlay Pkg. 5p	30	-1	Concrete Prods.	72xd	...
Graig Ship. £1	22	...	Heiton (Hldgs.)	16	...
Higsons Brew	87	...	Irish Ropes	33	...
Holt (Jos) 25p	910	...	Jacob	81	...
I.O.M. Stm. £1	147	...	T.M.G.	68	...
Pearce (C.H.)	500	...	Unidare	75	+3

OPTIONS

3-month Call Rates

Industrials		House of Fraser	26	Utd. Drapery	14
Allied-Lyons	15	I.C.I.	45	Vickers	12
BOC Grp.	22	"Imps"	11	Woolworth Hld.	30
B.S.R.	20	I.C.L.	8½		
Babcock	18	Ladbroke	22	**Property**	
Barclays Bank	45	Legal & Gen.	45	Brit. Land	8½
Beecham	32	Lex Service	36	Cap. Counties	15
Blue Circle	48	Lloyds Bank	48	Land Sec	30
Boots	20	"Lofs"	3½	MEPC	22
Bowaters	24	London Brick	10	Peachey	16
Brit. Aerospace	19	Lucas Inds.	18	Samuel Props.	12
B.A.T.	14	"Mams"	12	Town & City	5
Brown (J.)	4	Mrks. & Spncr	20		
Burton Ord.	35	Midland Bank	40	**Oils**	
Cadburys	11	N.E.I.	10	Brit. Petroleum	40
Courtaulds	10	Nat. West. Bank	55	Burmah Oil	19
Debenhams	14	P & O Dfd.	21	Charterhall	8
Distillers	22	Plessey	18	KCA	7
Dunlop	6	Racal Elect.	45	Premier	6½
Eagle Star	45	R.H.M.	7	Shell	55
F.N.F.C.	6	Rank Org. Ord.	20	Tricentrol	22
Gen. Accident	45	Reed Intnl.	32	Ultramar	68
Gen. Electric	20	Sears	8½		
Glaxo	75	T.I.	16	**Mines**	
Grand Met.	32	Tesco	16		
G.U.S. 'A'	50	Thorn EMI	55	Charter Cons.	30
Guardian	50	Trusthouse	18	Cons. Gold	60
G.K.N.	18	Turner & Newall	7	Lonrho	10
Hawker Sidd.	32	Unilever	70	Rio T. Zinc	65

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 37

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

Authorised Units—continued

Equity & Law Un Tst Mngs (a) (b) (c)
Amersham Rd. High Wycombe. 0494 33377

Euro Tst Acc	58.0	62 3xd	−0.5	1.86

Robert Fleming & Co Ltd
8 Crosby Square. EC3A 6AN. 01-638 5858

AmExFd*	£269.34	275.29	....	0.63
JapExFd*	£155.42	160.48		1.15

Next subscription day Sept 16 1983.
*Fleming American Property Unit Trust.
Latest issue price (15/8) US$10.567.
Units are issued on Feb 15. May. Aug. Nov.
*Fleming Property Unit Trust.
Latest issue price (24/6) £2.067.
Units are issued on March 25. June 24, Sept 29 & Dec 25.
*Unauthorised.

Guardian Royal Ex Unit Mgrs Ltd (a)
Royal Exchange EC3V 3LS. 01-638 2020

(b)GREGtFI	111 5	115.9xd	.	10.02
(g)GRENAm	94.5	101.7	+0.1	2.46
(g)GREPacT	103.0	110.8	−0.2	1.13
(b)PrptySkT	95.2	102.4	....	2.14
(b)GREGthEq	98.0	105.4	..	2.51
GRESmlC	110.2	118.6	..	1.32
G'hillTst	179.8	188.3xd	−0.6	3.42

H.B.L. Unit Trust Mngrs Ltd (a) (c) (g)
Premier NT Admin. 5 Rayleigh Rd. Hutton, Brentwood. Essex. 0227-227300

SmllrCosTst	51.3	54.0	−0.1	1.39
N Amer Tst	48.3	50.8		2.28
JapanFarETst	50.7	53.4	−0.2	3.04

Hexagon Services Ltd
4 Gt St Helens. London EC4P 3EP. 0708 45322

AustFrsGw	110.5	118.4	....	1.61
BrewinsCap	83 6	88.1	....	0.59
BrewinGtIn	75.8	79.8	..	3.96
CanGwthFd	108.9	117.2	..	0.96

Lawson Fund Managers Ltd (a) (c) (g)
43 Charlotte Sq. Edinbgh 2. 031-225 6001

CharlotteSqFd	—	50.0	.	2.8
Penny Sh Fd	14.0	15 0	.	1.8
Aust & Pac	9.8	10.4	−0.2	0.57
High Yield	19.5	21 2xd	..	10.40
Do Accum	20.6	22.3xd	....	10.40

MGM Unit Managers Ltd
MGM House. Heene Road. Worthing. 01-623 8211

High Inc	128.9	138.6	+0.1	6.23
(Accum Uts)	130.8	140.6	+0.2	6.23
UK Growth	123.0	132.3	−0.6	3.21
(Accum Uts)	123.3	132.6	−0.8	3.21

MLA Unit Trust Management Ltd
Old Queen Street. SW1A 9JG. 01-222 8576

MLA Uts	182.1	191.2	...	2.80
MLA Int	29.1	30.5	....	0.82

The Money Market Trust
63 Qn Victoria St EC4N 4ST. 01-236 0952

Call Fund	—	—	....	9 37
7 Day Fund	—	—		9 27

†Unauthorised—Sterling Deposit Fund.

Offshore and Overseas—continued

Actibonds Investment Fund SA
37 rue Notre Dam, Luxembourg. Tel 47971

Actibonds In	—	$19.43	+0.08	—

Alliance Capital Management Intl Inc
62/63 Queen St. London EC4. 01-248 8881
Alliance International Dollar Reserves
Distribution Sept 6-11 (1.001431) (9.09%pa)

AlntHCCresSept14	$9.29	....	—
A Tech Fd Sept14	$22 94	....	—
QuasarAssSept14	$62.49		—

Bamford Brandt Guernsey Mngt Ltd
PO Box 71, St Peter Port. Guernsey. 0481 26541

Tech&Coms	£8.86	9.3	....	—
IntGrowth	$17.32	18.77	....	—

Brown Shipley St Co (Jersey) Ltd
PO Box 583. St Helier, Jersey. 0534 74777

Stg Capital	£16.23	16.2xd	+0.03	—
Int Currncy	£1.06	1.12xd		—
Int Bond	$10.32	10 92	+0.12	—

CAL Investments (IoM) Ltd
16 St Georges St Douglas IoM. 0624 20231

CAL C&C*	87 3	91.9	....	—
CAL Metals*	95.3	100.4	....	—
CAL Slv**	283 2	299.6	−2.9	—
CAL Gold**	—	—	....	—
CAL Copper**	—	—	....	—
CAL Alumin**	—	—	....	—

Dealing days every Monday.

CAL Investments (Bermuda) Limited
PO Box 1022. Hamilton, Bermuda (809-29) 5-5950

CAL CTR Fd	78.3	82 2	−3.8	—

Dealing days every Monday.

Commodity Advisory Svcs (IoM) Ltd
48 Athol St. Douglas. IoM. 0624-20845

Com&FFAc	87 81	91.47	....	—
Com&FFD	87.81	91 47	.	—

Next dealing date Sept 5.

Citibank (CI) Ltd "Citifunds"
Channel Is. Transatlantic Inv Fds Ltd
Green St. St Helier. 0534-70334

U.S. $ Fund	$10.242	+0.002	—
£ Sterling Fund	£5.120	+0.001	—
Sw Franc Fd	SwFr20.160	+0 002	—
Jap Yen Fd	Y2 028.160	+0 292	—
Deutschmk Fd	DM20 184	+0.002	—
Managed Fund	$10.073	+0.002	—

DunVest Ltd
PO Box 887, Grand Cayman.

NAV	$136.80	...	—

First Gold & Metals Trust PLC
60 St James's St. London SW1. 01-499 4341

First Gold	9.21	...	—

Forbes Securities Managt ment Co.
PO Box 887, Grand Cayman. BWI. London Agents 01-839 3013

Gold Inc	$9 25	9.59	−0.39	—
Gold App	8.10	8 54	−0.19	—
Dollar Inc	$9.38	9 89	+0.17	—

Framlington Overseas Fd Mngt Ltd
PO Box 71, St Peter Port. Guernsey. 0481 26541

O'seas&Gth	48.2	52.5	....	4.00
O'seas&Gth$	71.8	78.3	....	4.00

GRE Intl Inv Mgmt Ltd
PO Box 194, St Helier, Jersey. 0534 27441

ManCurFd	£10.10	—	...	—

Grindlay Henderson Mngt Ltd
PO Box 414, St Helier, Jersey. 0534 74248

Mgd Fd	£10.2372	10 7491	−0.013	
Mgd Acc	£9 7032	10.1884	−0.0110	
Stlg Fd	£10.1893	+0.0025		
Stlg Acc	£10.1310	—	+0.0026	
U.S. $ Fd	$20.3575	—	+0.0049	
U.S. $ Acc	$20.2922	—	+0.0053	
DMA	DM50.3201	—	+0.0067	
SwFr	SwFr50.3791	—	+0.0061	
Yen	Y5,045	—	+1.0	

Jardine Fleming and Co Ltd
46th Floor, Connaught Centre. Hong Kong.

Curr&Bd	$12.53	—	....	9.40
(Accum)	$17.72	—	....	—

Asean	$10 00	—	....	—
(Accum)	$10.00	—	....	—
American	$9 64	—	....	—
(Accum)	$9 64	—	....	—
Mgd Curr	$9 98	—	....	—
(Acum)	$9.98	—	....	—

Lazard Brothers and Co (Jersey) Ltd
PO Box 108. St Helier. Jersey. C.I. 0534 37361

LazBrFarE	$14 11	15.02	−0.24	1.00
CpGBd	$1,293.06	1,310.28	....	11.6
D'sedBdFd	$10.00	10 03	....	—
N Am Fd	$10.11	10.76	....	—

Lloyds Bank International. Geneva
PO Box 438, 1211 Geneva 11 (Switzerland)

L I Dollar	$97.2	100.3	....	—
L I Growth	$97.2	974.5	....	1.5

Insurances—continued

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
1-3 St Paul's Churchyard EC4P 4DX 01-236 1833

High Income

Gilts & Fixed Int	112 5	119 0xd	−0 2	10 08
High Inc Equity	51 5	55 4	+0.3	6 57

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

INSURANCE & OVERSEAS MANAGED FUNDS

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393

Asset Builder	65.4	69.3	+0.6	—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511.

Money Mngr Sept 15	61.2	66.0	.....	—
MM Flexible Sept 6	52.6	55.4	.....	—
Fixed Interest Sept 15	54.7	57.7	.....	—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179

See adjacent Page Mon-Fri and Stock Exchange Page Sat.

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 52155

Invest. Tst. Fd. Cap.	293.6	—	-0.6	—
Invest. Tst. Fd. Acc.	309.8	—	-0.6	*12.2
Property Fund Cap.	117.1	—	.....	—
Property Fund Acc.	123.2	—	.....	*4.3
Flexible Fund Cap.	180.6	—	+0.1	—
Flexible Fund Acc.	190.0	—	+0.1	*4.3
Fixed Int. Fd. Cap.	137.3	—	.....	—
Fixed Int. Fd. Acc.	144.7	—	.....	—
Gtd. Deposit Fd. Cap.	138.8	—	.....	—
Gtd. Deposit Fd. Acc.	145.1	—	.....	—
Equity Fund Cap.	129.4	—	+0.5	—
Equity Fund Acc.	135.8	—	+0.5	—
International Fd. Cap.	138.6	—	+0.2	—
International Fd. Acc.	145.4	—	+0.2	—
Capital Gwth. Fd.	437.9	—	+0.9	—
Moneymaker Fund	367.5	—	+0.1	—
Exempt Inv. Tst. Cap.	402.3	—	-0.2	—

[illegible]

OFFSHORE AND OVERSEAS

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NOTES

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COMMODITIES AND AGRICULTURE

Sluggish reaction to Brazilian soya report

BY RICHARD MOONEY

A REPORT that Brazil had oversold its soyabean crop by as much as 250,000 tonnes this year failed to produce the bullish reaction which might have been expected on the Chicago futures markets yesterday.

Soyabean meal was only slightly higher, soyabeans were unchanged and soyabean oil prices fell.

But after rising initially, second position prices fell back from the previous close—beans by 30c a bushel to 857.4c, meal by $9.2 a ton to $219.3 and oil by 1c a lb to 34.07c.

The only explanation dealers could offer was that speculators who had been attracted into the market in confident expectation of a bad U.S. crop had withdrawn once their expectations had been confirmed, in accordance with the principle "buy on the rumour and sell on the fact."

This is certain to result in higher prices on the world market for a wide variety of manufactured foods — particularly margarine for which the oil price element amounts to nearly 50 per cent.

Cocoa futures firm sharply

By Our Commodities Staff

COCOA FUTURES firmed sharply in London yesterday, with shortcovering, speculative and stop-loss buying pushing prices higher.

The December position closed at £1,480.5, up £69 from the previous day's £1,411.5. Trading was halted in the morning when prices rose the remissible £40 limit, then went on to the day's high of £1,485.

In the morning, the London daily sugar price was fixed £6 down at £151 a tonne but on the futures market prices steadied through the day and the December position ended £1 up at £174.25 a tonne.

The market was unsettled early on by the emergence of India as a seller and by reports from Geneva of optimism for the successful conclusion of International Sugar Agreement talks.

But these reports were not supported by later indications and India's apparent rejection of all bids at its selling tender encouraged the price recovery, as did the Dominican Republic's declaration that it had withdrawn from the market.

Traders said the market was again boosted by doubts over the Ivorian main crop, possibly stemming from the Ivory Coast's requested deferment of early new crop contracted shipments.

Dealers said the market's rally was backed by brisk *industry buying of physicals* though this petered out when the market continued to advance.

● The U.S. Agriculture Department has reduced its estimate of 1983/84 world coffee production to 93.6m bags (60 kilos each) from 95m forecast earlier. But this would still be well up from last year's 81.5m bags.

Smoking out problems in salmon farming

Farmer's viewpoint: By John Cherrington

VISITORS TO the lochs of Western Scotland must be struck by the proliferation of floating fish cages in almost every sheltered corner.

They are the evidence of a surge in salmon farming, pioneered in Britain by Marine Harvest, a Unilever subsidiary, and followed by other interests.

If parr were raised under farm conditions then released as smolts, more might return to the rivers where they were released.

The essential, I would have thought, would have been to own a short river into which to turn the smolts and one in which no one has a netting interest.

Ranching began on the American plains, where the cattle roamed at will. But they were branded, and rustlers, when caught, were hanged. Salmon rustlers would be unlikely to suffer the same fate.

KL rubber talks extended again

THE International Rubber Organisation will meet again in special session today, Reuter reports from Kuala Lumpur.

● FRENCH MAIZE producers say EEC plans to abolish aid granted to co-operatives to stock maize at the end of the marketing year will create an artificial deficit between July 31 and the September-October harvest.

● FORAGE STOCKS in the Soviet Union continue to build up at a good pace, despite heavy rain in some areas.

● A BILL introduced in the U.S. Congress yesterday, calling for a ban on grain sales to the Soviet Union following the Korean airliner incident, has "no chance" of being passed, Republican Congressman Edward Madigan said the ban would hurt the U.S. more than the Soviet Union.

● MALAYSIA has lowered the export duty on ground white pepper to 104.6 ringgit per tonne, and to 1.98 ringgit for unground white pepper. Black pepper remains duty free.

● THAILAND'S tapioca crop, expected to increase 2m tonnes to 19m in the coming crop year, faces a shrinking market from its major buyer in the EEC.

Drought risk for SA citrus

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICA'S citrus exports will fall by at least 10 per cent in 1984 if good rains do not fall within the next few weeks, says the Citrus Board official.

The current drought in Southern Africa has so far done little damage to citrus estates, since most are irrigated. But water restrictions have already contributed to some shrinkage of this season's fruit, and irrigation dams in some areas, especially the Eastern Transvaal, are almost empty. Large amounts of water are needed early in the season to "set" the next crop.

With 1983 exports drawing to a close, the citrus exchange estimates that shipments will total 26-26.5m cartons this year, compared to 28m cartons in 1982. Revenues will be dented not only by the smaller crop, but also by lower prices in Western Europe and the Far East.

Earnings from lemons have risen, but demand for grapefruit has been particularly disappointing, with exports likely to be almost 20 per cent lower than last year.

Futures options changes

BY NANCY DUNNE IN WASHINGTON

THE Commodity Futures Trading Commission (CFTC) has approved a revision in its futures options programme which is likely to expand the number of options contracts.

The CFTC at present allows *each exchange to offer only one* futures option contract—five exchanges have such contracts available—and an option contract on one physical commodity.

Now it has agreed to allow each exchange two options contracts, whether based on physicals or futures.

So far, only the Chicago Mercantile Exchange has submitted a proposal to trade on a physical, in this case Deutsche Marks. It may now withdraw the proposal and ask to trade a futures option on a livestock contract.

The commission also gave permission for the near-defunct New Orleans Commodity Exchange to trade its rough rice contract on the floor of the Mid-America Exchange in Chicago.

The CFTC will consider, and probably approve, a request by the Chicago Mercantile Exchange later this month to trade three energy contracts.

Call for farm tenancy reform

BY OUR CORRESPONDENT

ENCOURAGEMENT of part-time farming and greater access to the land for prospective young farmers by reforming tenancy arrangements are advocated in a report from the Arkleton Trust.

The report says that rural development can no longer be seen as a subject for concern only in the context of the Third World. It is becoming increasingly important in developed countries.

A comprehensive approach to rural development—integrating economic, social, cultural, political and administrative objectives—is called for and the authors think there should be less reliance on centralised decision-making and more power given to rural communities to control their own future.

Strong community-level institutions, are called for, where rural people or their elected representatives can come together to discuss their situation.

Institutional Approaches to Rural Development in Europe. The Arkleton Trust, Langholm, Dumfriesshire, DG13 0HL, Scotland, £2.75.

PRICE CHANGES

In tonnes unless stated otherwise	Sept. 15 1983	+ or —	Month ago
Metals			
Aluminium	£1050	......	£1050
Free Mkt	$1600/1620	—30	$1585/615
Copper			
Cash h grade	£1036.5	—22	£1086
3 mths	£1064.75	—22.5	£1114.25
Cash Cathode	£1006.5	—20.5	£1055
3 months	£1034.5	—21	£1082.25
Gold troy oz	$406.625	+3.25	$422.375
Lead Cash	£263.5	—3.25	£262.5
3 months	£273.25	—3.375	£272.75
Nickel	£4646.34	......	£4625.85
Free mkt	220/250c	......	220/256c
Palladium	$146.50	—2.25	$150.75
Platinum	£285.25	—1.55	£289.50
Quicksilver†	$290/300	......	$275/285
Silver troy oz	778.95p	—8.25	817.55p
3 mths	796.95p	—8.45	836.90p
Tin cash	£8412.5	—17.5	£8440
3 month	£8552.5	—10	£8548.5
Tungsten	$74.81	......	$84.32
Wolfem 22.04 lb	$76/82	......	$73/77
Zinc Cash	£539.5	—4.5	£539.5
3 mths	£555.5	—4.25	£595.25
Producers	$880	......	$820

	Sept. 15 1983	+ or —	Month ago
Oils			
Coconut (Phil)	$975y	—.15	$995
Groundnut	‡	......	‡
Linseed Crude	£580	—6.3	‡
Palm Malayan	$645u	—10	$580
Seeds			
Copra Phil	‡	—5	$645
Soyabean (U.S.)	$346.75v	......	$355.5
Grains			
Barley Fut. Nov	£118.60	......	£117.40
Maize	£145.00v	......	£142.00
Wheat Fut. Nov	£128.85	—0.40	£124.70
No2 Hard Wint	‡	......	‡
Other commodities			
Cocoa ship't*	£1536	+69	£1686.5
Fut. Dec	£1480.5	+69	£1531.5
Coffee Ft. Nov	£1724	+10.5	£1691
Cotton A. Index	91.80c	......	90.85c
Gas Oil Oct	$256.25	+1.25	$263.75
Rubber (kilo)	75p	+0.5	79.5p
Sugar (Raw)	£151y	—6	£159
Wooltp's 64s.	400p kilo	+5	382kilo

‡ Unquoted. z Aug-Sept. u Nov. y Sept-Oct. x Oct-Nov. v Oct. † Per 76lb flask. * Ghana cocoa. n Nominal.

LONDON OIL

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.60-28.85	—0.85
Iranian Light	28.20	—
Arabian Heavy	26.65-26.70	+0.02
North Sea (Forties)	30.20-30.55	+0.17
North Sea (Brent)	30.40	—
African (Bonny L'ht)	30.70-30.75	—0.65
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	293-296	—
Gas oil	247-253	+1.5
Heavy fuel oil	167-169	—

GAS OIL FUTURES

Prices dipped down briefly after a steadier opening on some profit-taking. The market, encouraged by firmer physicals, began to move higher again, gaining momentum on a strong New York opening and remained within a dollar of the highs, reports Premier Man.

Turnover: 3,573 (2,243) lots of 100 tonnes.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Sept	251.25	+1.25	251.50-49.25
Oct	256.25	+1.25	256.50-54.50
Nov	260.25	+1.25	260.50-58.25
Dec	264.50	+2.25	264.50-61.75
Jan	263.50	+2.50	263.50-60.50
Feb	259.00	+3.00	259.00
Mar	254.00	+1.00	252.00
April	250.50	+3.25	250.25
May	247.50	+1.00	—

GOLD MARKETS

Gold rose $3¼ to $406½-407 on the London bullion market after a very quiet day. It opened at $406½-407, and was fixed at $403¾ in the morning, and $405½ in the afternoon. The metal touched a peak of $406¾-407¼, and a low of $403.30-403.80.

In Paris the 12½ kilo gold bar was fixed at FFr 105,700 per kilo ($405.55 per ounce) in the afternoon, compared with FFr 106,000 ($406.40) in the morning, and FFr 106,300 ($408.00) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 35,000 per kilo ($405.53 per ounce), against DM 35,110 ($406.76), and closed at $406½-407, compared with $401½-402.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $405 per ounce, against $406.75.

In Zurich gold finished at $405-408, compared with $401-404.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
Sept	—	—	—
Oct.	408.00-08.0	+4.000	406.20
Nov.	411.00-14.0	+4.500	—
Dec.	415.00-16.1	+4.200	415.10-11.6
Jan.	416.50-19.5	+4.100	—
Feb.	422.40-22.8	+4.100	423.00-20.5
Mar.	425.50-27.0	+4.000	—

Turnover: 2,243 (1,847) lots of 100 tonnes.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES sustained further heavy losses on the London Metal Exchange. Copper was the major casualty and dropped to a low point of £1,055 in after hours dealings following heavy speculative and stop-loss selling. Aluminium remained a volatile market and fell to a day's low of £1,065 on heavy speculative selling before rallying to a close at £1,083. Zinc was sold down to £548 but the emergence of substantial trade support prompted a modest recovery to £554.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1035-.5	—25	1036-7	—22
3 months	1063.5-4	—25	1064.5-5	—22.5
Settlem't	1035.5	—25	—	......
Cathodes				
Cash	1004-5	—21.2	1006-7	—20.5
3 months	1032-3	—23.5	1034-5	—21
Settlem't	1005	—21	—	
U.S. prod	—	—	*76-79	......

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £1,035, three months £1,066.5, 66, 65, 64.5, 64, 63.5, 64. Cathodes: Three months £1,033. Kerb: Higher Grade: Three months £1,063. Afternoon: Higher Grade: Three months £1,063, 64, 64.5, 65, 64, 64.5, 65. Cathodes: Three months £1,034. Kerb: Higher Grade: Three months £1,065, 64, 63.5, 64, 63, 62, 61, 62. Turnover: 29,400 tonnes.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	8395-400	—25	8410-5	—17.5
3 months	8545-50	—14	8550-5	—20
Settlem't	8400	—25	—	......
Standard				
Cash	8395-400	—25	8410-5	—17.5
3 months	8545-6	—18	8550-5	—10
Settlem't	8400	—25	—	......
Straits E	$29.91	......	—	......
New York	—	—	—	—

Tin—Morning: Standard: Cash £8,400, three months £8,560, 50, 55, 40, 30, 35, 40, 45. High Grade: Cash £8,420. Kerb: Standard: Three months £8,540, 45. Afternoon: Standard: Three months £8,535, 45, 46, 45, 40, 41, 42, 45, 50. Kerb: Standard: Three months £8,545. Turnover: 1,685 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	262.5-3	—4	263-4	—3.25
3 months	272.5-3	—3.87	273-.5	—3.37
Settlem't	263	—4	—	......
U.S. Spot	—	......	*20-24	......

Lead—Morning: Cash £263.5, 63.25, three months £273, 73.5, 74, 73.5, 73, 72.5, 73. Kerb: Three months £272.75, 73. Afternoon: Three months £273, 72.5, 72, 72.5, 73. Kerb: Three months £273, 72.5. Turnover: 7,650 tonnes.

ZINC

Nickel — Morning: Three months £3,390, 3,400, 10, 15, 10, 3,400, 05, 06. Kerb: Three months £3,405, 03. Afternoon: Three months £3,405, 10, 15, 12, 10, 05, 3,400. Kerb: Three months £3,405, 10. Turnover: 1,050 tonnes.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

LME—Turnover: 108 (82) lots of 10,000 ozs. Morning: Three months 798, 97.5, 98. Kerb: untraded. Afternoon: three months 803.5, 03, 03.5, 02. Kerb: three months 798.

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoff'icl	+ or —
Spot	778.95p	—8.25	789.5p	+5
3 months	796.95p	—8.45	801.5p	+5
6 months	816.15p	—8.75	—	......
12 months	856.15p	—8.75	—	......

Silver was fixed 8.25p an ounce lower for spot delivery in the London bullion market yesterday at 778.95p. U.S. equivalents of the fixing levels were: spot $11.63, down 11.5c; three-month $11.914, down 11.4c; six-month $12.211, down 12.0c; and 12-month $12.843, down 11.8c. The metal opened at 784-786p ($11.71-11.75) and closed at 783-785p ($11.71-11.75).

COCOA

After opening £20 higher as due futures rallied further and during an active day moved ahead strongly, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£per tonne		
Sept	1440-42	+62.5	1440-00
Dec	1480-81	+69.0	1485-28
March	1490-91	+71.0	1491-39
May	1500-05	+67.0	1500-53
July	1517-19	+69.0	1518-71
Sept	1526-35	+69.5	1506-88
Dec	1537-40	+65.5	1537-95

Sales: 6,159 (5,864) lots of 10 tonnes.

ICCO—Indicator prices (U.S. cents per pound): Daily price for Sept 15: 97.72 (92.84); five-day average for Sept 16: 93.35 (93.12).

COFFEE

During an active session fresh contract highs were established in most positions as persistent commission house buying encouraged a firmer market, reports Drexel Burnham Lambert.

COFFEE	Yest'day's Close	+ or —	Business Done
Sept	1757-60	+21.5	1760-35
Nov	1725-25	+10.5	1727-07
January	1708-10	+21.5	1711-85
March	1669-70	+14.6	1670-51
May	1639-40	+5.5	1640-30
July	1618-19	+4.0	1618-10
Sept	1607-10	+7.0	1607

Sales: 3,951 (3,729) lots of 5 tonnes.

ICO Indicator prices (U.S. cents per pound) for September 14. Comp. daily 1979 126.65 (126.23); 15-day average 126.20 (126.29).

GRAINS

POTATOES

Amsterdam futures opened higher, prompting firmer London prices. Profit-taking at the higher levels weakened prices, hitting stop-loss orders which added to the downward move, reports Coley and Harper.

INDICES

FINANCIAL TIMES

Sept. 14	Sept. 13	M'th ago	Y'ar ago
286.73	288.68	291.62	231.44

(Base: July 1 1952=100)

AMERICAN MARKETS

NEW YORK, September 15

Precious metals were moderately lower mostly on arbitrage dealings with only light selling pressure from technical factors. Copper prices fell sharply on massive liquidation ahead of the housing report today. With heavy technical selling by commission houses ...

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases on current account deficit

The dollar lost ground in late trading yesterday as the U.S. recorded a record current account deficit in the second quarter of this year. Trading volume was extremely low with all major currencies confined to narrow ranges.

Sterling was slightly firmer overall in subdued trading.

DOLLAR — Trade-weighted index (Bank of England) 129.0 against 120.2 six months ago. The latest figures on money supply have given rise to cautious optimism as fears of a sharp rise in M1 during September have eased. The dollar had previously been at record levels on nervousness about higher U.S. interest rates as a result of the U.S. budget deficit and money supply growth.

The dollar closed at DM 2.6785 from DM 2.6855 and SwFr 2.1765 compared with SwFr 2.1845. It was also lower against the yen at Y244.50 from Y245.25 and FFr 8.0875 from FFr 8.1050.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.4540. August average 1.5027. Trade weighted index 84.9 against 84.9 at noon and 84.8 at the opening and compared with 84.8 on Wednesday and 79.0 six months ago. The pound has been quite steady recently but is beginning to look a little fragile against European currencies as upward pressure eases on interest rates. As with other currencies, it is currently hostage to the varying fortunes and fluctuations of the U.S. dollar.

Sterling traded within a narrow bank of $1.4900-1.4995 against the dollar, closing at $1.4970-1.4980, a rise of 70 points. It rose against the D-mark to DM 4.0125 from DM 4.0050 and SwFr 3.2625 compared with SwFr 3.26. It was also firmer against the French franc at FFr 12.1075 from FFr 12.08 and Y366.5 from Y365.75.

D-MARK — Trading range against the dollar in 1983 is 2.7315 to 2.3320. August average 2.6736. Trade-weighted index 125.7 against 130.1 six months ago. Until the recent fall in U.S. M1 money supply, the D-mark had been at its lowest levels against the dollar for nearly 10 years, reflecting the large differential between U.S. and German interest rates. A softer tone in U.S. rates together with a rise in the German Lombard rate have served to narrow the gap however, as the Bundesbank has moved to counter excessive money supply growth.

The D-mark was little changed at the Frankfurt fixing, but improved slightly against the dollar. The Bundesbank sold $16.45m when the dollar fell to DM 2.6829 from DM 2.6833, after opening at DM 2.6840. Sterling rose to DM 4.0050 from DM 4.0030, and the Swiss franc to DM 1.2307 from DM 1.2305, while the French franc was unchanged at DM 33.090 per FFr 100.

FRENCH FRANC — Trading range against the dollar in 1983 is 8.22 to 6.6060. August average 8.0437. Trade-weighted index 67.6 against 75.8 six months ago. The franc is firm against its EMS partners, but stability within the system has been helped by the weakness of the D-mark against the dollar. Any sustained dollar decline, and increased demand for the D-mark, could renew the strains from which the EMS and currencies such as the franc have suffered from time to time.

French official reserves rose by the equivalent of FFr 3.104bn in August to FFr 420.386bn, mainly due to an increase in currency reserves. These fell to FFr 37.3bn in March prior to a devaluation of the franc towards the end of that month, but have now recovered to FFr 70.394bn. The franc showed mixed changes at Paris fixing, losing ground to the dollar and sterling, but improving against several EMS currencies, including the D-mark.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU September 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.8772	+2.17	+1.40	±1.5447
Danish Krone	8.14104	8.16625	+0.31	−0.46	±1.6425
German D-Mark	2.24184	2.27357	+1.42	+0.65	±1.0642
French Franc	6.87456	6.86812	−0.09	−0.86	±1.4052
Dutch Guilder	2.52595	2.54287	+0.67	−0.10	±1.4964
Irish Punt	0.72569	0.725153	−0.07	−0.84	±1.6699
Italian Lira	1403.49	1360.19	−3.09	−3.09	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

Sept. 15	£	$		£ Note Rates
Argentina Peso	17.93-17.98	12.02-12.05	Austria	28.00-28.50
Australia Dollar	1.6835-1.6855	1.1250-1.1265	Belgium	82.00-83.00
Brazil Cruzeiro	1,041.98-1,048.26	698.0-701.0	Denmark	14.31-14.45
Finland Markka	8.555-8.569	5.7520-5.7540	France	12.04-12.15
Greek Drachma	138.85-138.95	92.70-92.85	Germany	3.98½-4.02½
Hong Kong Dollar	11.72-11.74	7.85-7.86	Italy	2365-2415
Iran Rial	131.00*	87.90*	Japan	365-369
Kuwait Dinar (KD)	0.4350-0.4356	0.29155-0.29165	Netherlands	4.46-4.51
Luxembourg Fr.	80.95-81.05	54.07-54.09	Norway	11.05-11.16
Malaysia Dollar	3.5110-3.5210	2.3520-2.3540	Portugal	185-205
New Zealand Dlr.	2.2935-2.2965	1.5330-1.5355	Spain	219-234
Saudi Arab. Riyal	5.1940-5.2000	3.4790-3.4850	Sweden	11.74-11.87
Singapore Dollar	3.1950-3.2080	2.1420-2.1440	Switzerland	3.24-3.28
Sth. African Rand	1.6645-1.6665	1.1115-1.1150	United States	1.46½-1.50½
U.A.E. Dirham	5.4810-5.4875	3.6710-3.6750	Yugoslavia	177-188

* Selling rates.

CURRENCY MOVEMENTS

Sept. 15	Bank of England Index	Morgan Guaranty Change %
Sterling	84.9	−6.0
U.S. dollar	129.0	+17.2
Canadian dollar	92.7	+1.3
Austrian schilling	116.5	+5.2
Belgian franc	90.8	−11.2
Danish kroner	79.8	−8.2
Deutsche mark	125.7	+6.8
Swiss franc	150.6	+12.1
Guilder	115.5	+4.3
French franc	67.6	−14.5
Lira	50.1	−10.9
Yen	147.1	+6.4

CURRENCY RATES

Sept. 15	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.701869	0.567619
U.S. $	8½	1.04761	0.847341
Canadian $	9.52	*	1.04494
Austria Sch	3¾	19.7958	15.9809
Belgian F	9	56.7359	45.8772
Danish Kr	7½	10.0948	8.15525
D mark	4	N/A	2.27357
Guilder	5	3.14388	2.54287
French F	9½	8.49245	6.86812
Lira	17	1661.41	1360.19
Yen	5½	N/A	207.387
Norwgn Kr	8	7.79736	6.31608
Spanish Pta	—	159.765	129.304
Swedish Kr	8½	8.27821	6.69527
Swiss Fr	4	2.28400	1.84805
Greek Dr'ch	20½	N/A	78.6756

*C$/SDR rate for Sept 14: 1.29252

THE POUND SPOT AND FORWARD

Sept. 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4900-1.4995	1.4970-1.4980	0.02-0.07c dis	−0.36	0.13-0.18dis	−0.41
Canada	1.8390-1.8495	1.8465-1.8475	0.10c pm-par	0.32	0.15-0.05 pm	0.22
Nethlnd.	4.47-4.50	4.48-4.49	1½-1c pm	3.34	3⅞-3⅝ pm	3.23
Belgium	80.60-81.10	80.95-81.05	7-17c dis	−1.78	20-30 dis	−1.23
Denmark	14.36-14.42	14.39-14.40	2.90-3.95ore dis	−2.85	2.85-4.00dis	−0.95
Ireland	1.2760-1.2800	1.2775-1.2785	0.18-0.21p dis	−1.83	0.54-0.59dis	−1.77
W. Ger.	3.99½-4.02½	4.00¾-4.01¾	1½-1pf pm	3.74	4-3½ pm	3.74
Portugal	185.50-187.00	186.50-187.00	165-425c dis	−18.95	885-1215dis	−20.35
Spain	227.50-228.75	228.30-228.50	260-345c dis	−15.89	910-1070dis	−17.34
Italy	2394-2404	2399-2401	14½-16½ lire dis	−7.75	47-50 dis	−8.08
Norway	11.09-11.16	11.13-11.14	2.70-3.35ore dis	−3.26	9.80-10.55dis	−3.65
France	12.08½-12.12½	12.10¾-12.11¾	2-3⅛c dis	−3.22	15½-17½ dis	−5.46
Sweden	11.78-11.84	11.81½-11.82½	1.40-2.00ore dis	−1.72	5.20-5.84dis	−1.87
Japan	364½-367½	366-367	0.90-0.70y pm	2.62	2.60-2.40 pm	2.73
Austria	28.10-28.25	28.20-28.25	9¾-8⅜gro pm	3.80	26½-22¼ pm	3.43
Switz.	3.24½-3.27½	3.25¾-3.26¾	1½-1¼c pm	5.52	4¼-3⅞ pm	5.06

Belgian rate is for convertible francs. Financial franc 82.55-82.65. Six-month forward dollar 0.33-0.38c dis. 12-month 0.70-0.80c dis.

THE DOLLAR SPOT AND FORWARD

Sept. 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4900-1.4995	1.4970-1.4980	0.02-0.07c dis	−0.36	0.13-0.18dis	−0.41
Ireland†	1.1675-1.1710	1.1700-1.1710	0.28-0.24c pm	2.67	0.76-0.66 pm	2.43
Canada	1.2330-1.2340	1.2330-1.2335	0.10-0.07c pm	0.83	0.28-0.20 pm	0.70
Nethlnd.	2.9930-3.0035	2.9930-2.9950	0.99-0.89c pm	3.78	2.75-2.65 pm	3.60
Belgium	54.07-54.20	54.07-54.09	3-5c dis	−1.00	9-14 dis	−0.85
Denmark	9.6125-9.6380	9.6125-9.6175	1¾-2¼ore dis	−2.49	1-1½ dis	−0.52
W. Ger.	2.6765-2.6865	2.6780-2.6790	0.96-0.91pf pm	4.18	2.85-2.80 pm	4.21
Portugal	124.50-124.90	124.55-124.85	110-280c dis	−18.76	450-800dis	−20.05
Spain	152.35-152.70	152.35-152.45	170-215c dis	−15.15	575-675dis	−16.39
Italy	1602½-1607½	1602½-1603½	9¾-10¼ lire dis	−7.47	31-32 dis	−7.84
Norway	7.4375-7.4505	7.4400-7.4450	1.55-1.85ore dis	−2.90	5.85-6.15dis	−3.20
France	8.0825-8.1225	8.0850-8.0900	2.00-2.20c dis	−3.11	10.30-10.70d	−5.18
Sweden	7.8950-7.9060	7.8950-7.9000	0.80-1.00ore dis	−1.37	2.75-2.95dis	−1.44
Japan	244.40-245.10	244.45-244.55	0.64-0.59y pm	3.02	1.94-1.89 pm	3.11
Austria	18.82½-18.87	18.82½-18.83½	6.70-6.10gro pm	4.07	19.00-17.00pm	3.82
Switz.	2.1730-2.1840	2.1760-2.1770	1.05-1.00c pm	5.65	3.05-3.00 pm	5.56

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 55.15-55.20.

EXCHANGE CROSS RATES

Sept. 15	Pound Sterling	U.S. Dollar	Deutschem'k	JapaneseYen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.496	4.013	366.5	12.108	3.263	4.485	2409.	1.847	81.00
U.S. Dollar	0.668	1.	2.679	244.7	8.085	2.179	2.995	1603.	1.233	54.09
Deutschemark	0.249	0.373	1.	91.34	3.017	0.813	1.118	598.1	0.460	20.19
Japanese Yen 1,000	2.729	4.086	10.96	1000.	33.04	8.902	12.24	6548.	5.040	221.0
French Franc 10	0.826	1.237	3.314	302.7	10.	2.695	3.704	1982.	1.526	66.90
Swiss Franc	0.307	0.459	1.230	112.3	3.711	1.	1.375	735.6	0.566	24.83
Dutch Guilder	0.223	0.334	0.895	81.72	2.700	0.727	1.	535.1	0.412	18.06
Italian Lira 1,000	0.417	0.624	1.673	152.7	5.045	1.359	1.869	1000.	0.770	33.73
Canadian Dollar	0.541	0.811	2.172	198.4	6.555	1.766	2.428	1299.	1.	43.85
Belgian Franc 100	1.235	1.849	4.954	452.5	14.95	4.028	5.537	2965.	2.280	100.

MONEY MARKETS

London rates steady

UK clearing bank base lending rate 9½ per cent (since June 14)

UK rates were little changed overall yesterday as the market awaited today's U.S. money supply figures. Encouraging UK money supply figures tended to give weight to those seeking an early cut in UK clearing bank base rates but it seems likely that demand for such a move is unlikely to gather much momentum before the end of this month and seasonal distortions currently exerted on U.S. figures.

In the interbank market overnight money opened at 9⅞-9¾ per cent and eased initially to 9½ per cent before reaching a peak of 10¼ per cent. Closing balances were taken as low as 5 per cent however. Longer term rates showed very little change.

The Bank of England forecast a shortage of around £50m later revised to £150m and then to £200m. Factors affecting the market included maturing assistance and a take up of Treasury bills —£88m and a rise in the note circulation of £20m. On the other hand Exchequer transactions added £90m to the system. The Bank gave help in the morning of £9m, comprising purchases of eligible bank bills, £1m in band 1 (up to 14 days) at 9⁷⁄₁₆ per cent, £5m in band 2 (15-33 days) at 9⅜ per cent and £3m in band 3 (34-63 days) at 9⁷⁄₁₆ per cent. Further help in the afternoon amounted to purchases of £122m, making a grand total of £196m. This included late assistance of £75m. The afternoon help comprised purchases of £16m of eligible bank bills in band 1 at 9⁷⁄₁₆ per cent and £63m in band 2 at 9⅜ per cent.

In band 3 it bought £3m of eligible bank bills at 9⁷⁄₁₆ per cent and in band 4 (64-91 days) £13m of Treasury bills and £17m of eligible bank bills all at 9⅜ per cent.

In Frankfurt call money was quoted at 5.5 per cent in line with the new Lombard rate and slightly firmer than Wednesday's figure of 5.475 per cent while in Paris call money was quoted at 12¹¹⁄₁₆ per cent from 12⅜ per cent previously. French call money has shown a much more volatile tendency just recently as a result of the central bank's decision to let short term rates reflect market liquidity levels.

LONDON MONEY RATES

Sept. 15 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	5-10¼	9¼-9⅜	—	—	9-9⅝	8-9¾	—	—	—
2 days notice	—	—	9⅜-9½	—	—	—	—	—	—	—
7 days or 7 days notice	—	9⅜-9⅞	9½-9⅝	—	—	9¾-10	9½	—	—	—
One month	9¹¹⁄₃₂-9⁷⁄₁₆	9⅝-9¾	9⅝	9⅞-9⅝	9¾	10	9½	9⅛-9¹⁵⁄₃₂	9¹⁵⁄₃₂	10⅛
Two months	9¹⁵⁄₃₂-9⁷⁄₁₆	9⅝-9¾	9⅝	10-9¾	9⅞	10	9⅝	9⁷⁄₁₆	9⁷⁄₁₆	10⁵⁄₁₆
Three months	9¹⁵⁄₃₂-9⁷⁄₁₆	9⅝ 9¾	9⅝-9¹¹⁄₁₆	10⅛-9⅞	9⅞	10	9⅜	9⅜-9⁷⁄₁₆	9⅞	9¹⁵⁄₁₆
Six months	9¾-9⅞	9⅞-9⅞	9¾	9⅞-9⅞	10	—	—	—	9⁹⁄₁₆-9¼	9⅞
Nine months	9¾-9⅝	10-10⅛	9⅞	10⅛-9⅞	10⅛	—	—	—	—	—
One year	9⅞ 9¾	10⅛-10¼	10-10⅛	10 9¾	10¼	—	—	—	—	—
Two years	—	—	10¾-11	—	—	—	—	—	—	—

ECGD Fixed Rate Export Scheme IV. Average Rate for interest period August 3 to September 6 1983 (inclusive) 9.930 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 11⅛ per cent; four years 11⅜ per cent; five years 11½ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rate for four months bank bills 9⁵⁄₁₆-9¼ per cent; four months trade bills 9¹⁵⁄₁₆ per cent.

Approximate selling rate for one month Treasury bills 9⁷⁄₃₂-9¼ per cent; two months 9⅛-9¹³⁄₃₂ per cent and three months 9⅛-9⅜ per cent. Approximate selling rate for one month bank bills 9½ per cent; two months 9⅛-9¹³⁄₃₂ per cent and three months 9⁹⁄₃₂ per cent; trade bills 9⅝ per cent; two months 9¹¹⁄₁₆ per cent and three months 9¹¹⁄₁₆ per cent.

Finance Houses Base Rate (published by the Finance Houses Association) 10 per cent from September 1 1983. London and Scottish Clearing Bank Rates for lending 9½ per cent. London Deposit Rates for sums at seven days' notice 6 per cent.

Treasury Bills: Average tender rates of discount 9.2934 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9⅝ per cent; one-three months 9¾ per cent; three-six months 10 per cent; six-12 months 10⅛ per cent. Under £100,000 9½ per cent from September 13. Deposits held under Series 4-5 10 per cent. The rates for all deposits withdrawn for cash 8 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 15	Short term	7 days notice	Month	Three Months	Six Months	One Year
Sterling	9⅝-9⅞	9⅝-9¹⁵⁄₁₆	9⅝-9¾	9⅝-9⅞	9¹³⁄₁₆-9¹⁵⁄₁₆	10⅛-10¼
U.S. Dollar	9½-9¾	9⅝-9⅞	9¾-10	9⅞-10⅛	10⅛-10⅜	10⅛-10¾
Can. Dollar	8¼-8½	8¼-8¾	8⅞-9⅛	9⅛-9⅜	9¼-9⅝	9⅞-10⅛
D. Guilder	6-6⅛	6-6⅛	6-6¼	6⅛-6⅜	6⅜-6⅝	6⅝-6⅞
S. Franc	2¼-2½	2⅛-2⅜	4⅛-4¼	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜
Deutschm'rk	5⅛-5⅜	5⅜-5⅝	5⅝-5¾	5⅝-5⅞	5¾-6	6⅛-6⅜
Fr'nch Franc	12⅛-12¾	12⅞-13¼	13-13¼	13-13½	16⅜-17	16⅝-17⅛
Italian Lira	16-17	16¾-17¼	17-17⅞	17¼-18¼	18⅛-19	19¼-19⅞
Belg. Franc. Conv.	8⅞-9	10-11	11-11⅛	10¾-11¼	10¾-11¼	10¾-11¼
Belg. Franc. Fin.	9-9¼	9-9¼	9-9¼	9⅛-9¾	10¼-10⅞	10⅛-10⅜
Yen	6⅞-6⅞	6⅞-6⅞	6⅛-6⅜	6⅛-6⅜	6⅛-6⅜	6⅛-6⅜
D. Krone	14⅞-15¼	15⅜-15⅞	12⅜-12⅞	11⅛-12⅛	11⅛-11⅞	11¼-11¾
Asia $ (Sing.)	9⅛-9⅝	9⅛-9⅞	9¾-9⅞	9⅞-10	10⅛-10¼	10⅛-10⅜

FT LONDON INTERBANK FIXING

(11.00 a.m. SEPTEMBER 15)

3 month U.S. dollars		6 month U.S. dollars	
bid 9 15/16	offer 10 1/16	bid 10 3/16	offer 10 5/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	11
Fed funds (lunch-time)	9⅛-9⅜
Treasury bills (13-week)	8.97
Treasury bills (26-week)	9.05

GERMANY

Lombard	5.5
Overnight rate	5.5
One month	5.65
Three months	5.85
Six months	6.30

FRANCE

Intervention rate	12.25
Overnight rate	12.6875
One month	12.5625
Three months	12.5625
Six months	12.6875

JAPAN

Discount rate	5.5
Call (unconditional)	6.46875
Bill discount (3-month)	6.78125

SWITZERLAND

Discount rate	4
Overnight rate	2½-3
One month	4¹⁄₁₆-4¼
Three months	4⁵⁄₁₆-4⁷⁄₁₆

NETHERLANDS

Discount rate	5
Overnight rate	6⅛-6¼
One month	6-6⅛
Three months	6⅛-6¼
Six months	6⅛-6⅜

$ CERTIFICATES OF DEPOSIT

One month	9.5-9.6
Three months	9.7-9.8
Six months	9.9-10.0
One year	10.2-10.4

LONG TERM EURO $

Two years	11⅛-11⅜
Three years	11⅜-11⅞
Four years	11⅞-12⅛
Five years	12⅛-12⅜

SDR LINKED DEPOSITS

One month	8¹¹⁄₁₆-9¹⁄₁₆
Three months	9⅛-9⅜
Six months	9⁵⁄₁₆-9¹¹⁄₁₆
One year	9¾-10⅛

ECU LINKED DEPOSITS

One year	8⅞-9⅛
Three months	9⁵⁄₁₆-9¹¹⁄₁₆
Six months	9¹³⁄₁₆-10³⁄₁₆
One year	10³⁄₁₆-10⁹⁄₁₆

FINANCIAL FUTURES

Quiet trading

It was a quiet day on the London International Financial Futures Exchange. December Eurodollars opened at 89.70, and finished at 89.69, compared with 89.78 at the previous close. The trading range was between 89.65 and 89.72. Lack of movement in cash markets tended to restrict futures trading, while the market was concerned about some imminent economic statistics, and this week's U.S. M1 money supply figure. After two encouraging weeks there is a growing fear that Friday's M1 figure will confirm earlier predictions of a September bulge. Expectations about money supply have steadily increased from a rise of $3bn to yesterday's suggestions of a possible increase in the region of $7bn.

A firm Federal funds rate of 9½ per cent, as New York credit conditions remained tight because of tax payments, was another restricting factor, while the result of Wednesday's two-year Treasury note auction did nothing to encourage the market, particularly in the light of next week's $14.25bn refunding.

Gilt futures held up well, despite depressed trading in U.S. Treasury bonds overnight, and the lack of applications at yesterday's tender of Treasury 10 per cent 1987 stock. The market was not surprised that the tap stock was undersubscribed, but gained some encouragement from the better closing of cash prices, which showed gains of up to £½. Gilts for December delivery opened at 106-03, and finished only slightly below the day's peak at 106-17, compared with the previous settlement of 106.11.

Trading in three-month sterling deposits was very quiet, with December opening at 90.25, and touching a peak of 90.27, before closing at 90.26, against 90.28 on Wednesday.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	89.68	89.72	89.65	89.78
March	89.40	89.41	89.36	89.49
June	89.20	89.21	89.19	89.29
Sept	89.00	89.01	89.00	89.12

Volume 1,792 (2,410). Previous day's open int. 5,099 (5,025).

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Dec	90.26	90.27	90.23	90.28
March	89.97	89.98	89.96	90.01
June	89.68	—	—	89.70
Sept	89.45	—	—	89.48
Dec	89.30	—	—	89.30

Volume 215 (475). Previous day's open int. 3,700 (3,798).

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	104-03	104-03	103-21	103-27
Dec	106-17	106-19	106-03	106-11
March	106-03	106-03	105-30	105-29
June	105-16	105-16	105-16	105-13
Sept	104-28	—	—	104-29

Volume 1,534 (2,424). Previous day's open int. 4,000 (4,408). Basis quote (clean cash price of 15½% Treasury 1998 less equivalent price of near futures contract) par −08 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4944	1.4948	1.4930	1.4935
March	1.4965	—	—	1.4963

Volume 89 (216). Previous day's open int. 712 (715).

DEUTSCHE MARKS DM125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3767	0.3768	0.3762	0.3765
March	0.3805	—	—	0.3803

Volume 13 (76). Previous day's open int. 402 (359).

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Dec	0.4653	0.4655	0.4645	0.4646
March	—	—	—	—

Volume 12 (5). Previous day's open int. 118 (118).

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4119	—	—	0.4114
March	0.4153	0.4153	0.4153	0.4149

Volume 2 (3). Previous day's open int. 147 (148).

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	70-31	71-12	70-27	71-07
Dec	70-12	70-28	70-09	70-22
March	69-29	70-09	69-25	70-05
June	69-15	69-27	69-12	69-24
Sept	69-04	69-15	69-02	69-13
Dec	68-27	69-06	68-25	69-04
March	—	—	—	68-28
June	—	—	—	68-22
Sept	68-04	68-15	68-02	68-13
Dec	—	—	—	—
March	—	—	—	—

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	89.77	89.83	89.77	89.81
Dec	90.48	90.58	90.48	90.55
March	90.17	90.25	90.17	90.21
June	89.89	90.03	89.96	89.99
Sept	—	—	—	89.19
Dec	89.59	89.64	89.59	89.62
March	—	89.47	89.45	89.48
June	—	—	—	—

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	90.46	90.49	90.45	90.52
Dec	89.84	89.95	89.83	89.90
June	89.26	89.31	89.23	89.30

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	89.92	89.92	89.88	89.94
Dec	89.39	89.49	89.39	89.46
March	89.08	89.18	89.08	89.13
June	88.85	88.94	88.85	88.91

STERLING (IMM) $s per £

	Latest	High	Low	Prev
Sept	1.4980	1.4990	1.4920	1.4940
Dec	1.4985	1.5010	1.4935	1.4955
March	1.5030	1.5030	1.4960	1.4975
June	1.5060	1.5060	1.5060	1.4995
Sept	—	—	—	—
Dec	—	—	—	—

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	68-31	69-09	68-30	69-04
Dec	67-28	68-12	67-27	68-08
March	67-00	67-16	67-00	67-12
June	66-11	66-23	66-11	66-22
Sept	65-30	66-06	65-30	66-05
Dec	65-16	65-24	65-16	65-23
March	—	—	—	—
June	64-27	64-27	64-27	65-01
Sept	—	—	—	—
Dec	—	—	—	—
March	—	—	—	—
June	—	—	—	—

COMPANY NOTICES

NEW KLEINFONTEIN PROPERTIES LIMITED
(Incorporated with limited liability in the Republic of South Africa)

Directors
J. S. Hammill (Chairman), L. A. Lucas-Bell, J. W. Mackenzie, J. A. F. White (British), R N McLeod

PROFIT ANNOUNCEMENT

The group's results for the 18 months ended 30 June 1983 are as follows:

	18 months to 30 June 1983 R	Year to 31 December 1981 R
Operating profit	1 331 317	808 104
Taxation	642 387	211 000
Current	459 743	—
Deferred	182 644	211 000
Profit after Taxation	688 930	597 104
Number of shares in issue	2 010 000	2 010 000
Earnings per share, in cents	34.3	29.7
Dividend per share, in cents	15.0	5.0
Dividend cover (times)	2.3	5.9

A full review of the group results will be contained in the financial statements for the eighteen months which will be issued on or about 29 September 1983.

DECLARATION OF FINAL DIVIDEND

NOTICE IS HEREBY GIVEN that dividend number 79 (final) of 10 cents (1981—5 cents) per share for the eighteen months ended 30 June 1983 has been declared payable to holders of ordinary shares registered in the books of the company at the close of business on 19 October 1983 and to persons presenting Coupon No. 79 detached from Share Warrants to Bearer.

Warrants in payment will be posted from the Johannesburg and London offices on or about 25 November 1983 to members at their registered addresses or in accordance with written instructions received and accepted by the company on or before 19 October 1983.

Non-resident shareholders tax at the rate of 15% will be deducted from dividend payable to members whose addresses in the register of members are outside South Africa.

The conditions applicable to this dividend can be inspected at the Johannesburg and London offices of the company.

For the purposes of determining those members entitled to participate in the above dividend, the share transfer books and register of members will be closed from 20 October to 26 October 1983, both days inclusive.

ENCASHMENT OF COUPON NO. 79

The dividend on shares included in Share Warrants to Bearer will be payable on or after 28 November 1983 to the persons presenting Coupon No. 79 at the London Office, 20 Southampton Place, London WC1A 2BQ, or at the office of Credit du Nord, 6-8 Boulevard Haussmann, 75009—Paris. Coupons presented at the London Office must be deposited four clear days before being paid and unless accompanied by Inland Revenue declarations, they will be subject to a deduction of United Kingdom Income Tax.

NOTICE OF EIGHTY-SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the eighty-seventh annual general meeting of members will be held in the board, 2nd Floor, 25 Wellington Road, Parktown, on Wednesday 26 October 1983 at 9 a.m.

For the purposes of determining those members entitled to attend and vote at the aforementioned meeting, the transfer books and register of members will be closed from 20 to 26 October 1983, both days inclusive.

By Order of the Board
AFRICAN FINANCE CORPORATION LIMITED
Secretaries
per: S. C. MacFARLANE

Registered Office: 25 Wellington Road, Parktown, 2193.

Transfer Secretaries: Central Registrars Limited, 154 Market Street, Johannesburg, 2001.

16 September 1983.

PERSONAL

CLUBS

LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1981
INTERCHEQUES LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at 1 Wardrobe Place, Carter Lane, London, EC4, on Wednesday, the 28th day of September 1983 at 10.45 a.m. in the forenoon, for the purposes mentioned in sections 294 and 295 of the said Act.

Dated this 1st day of September 1983.

By Order of the Board,
N. C. R. NASH, F.C.A.,
Director.

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday September 14 1983. [...]

INTERNATIONAL CAPITAL MARKETS

EUROBONDS

Investors wait for rates to settle

By Peter Montagnon, Euromarkets Correspondent, in London

INTERNATIONAL bond markets were yesterday becalmed in one of the quietest trading days for weeks as investors stayed on the sidelines because of interest rate uncertainties.

Two weeks in a row of positive U.S. money supply figures have still failed to arouse interest in fixed-rate issues. Yesterday investors were holding back again on new fears of a sharp increase in money supply for the current reporting week as well as uncertainty over next week's U.S. Treasury financing programme of $14.25bn. Some dealers reported sporadic buying at lower price levels, however.

Sanwa Bank's new $80m issue traded at a discount of 1⅝ from its 99¾ issue price as some buying was attracted by its high 12⅝ per cent coupon, but Citicorp's 11⅞ per cent bonds languished at a steep three-point discount.

Continental markets were also quiet, though in Switzerland a SwFr 100m issue for the EEC was announced by Credit Suisse. The ten-year bonds bear an indicated yield of 6 per cent.

● The latest bond issue by the Dutch Government has raised Fl 4bn, less than half the Fl 8.5bn provided by its predecessor, which raised a record amount on the Amsterdam capital market in June.

The bonds, carrying a coupon of 9 per cent and maturing after 10 years, were struck at a minimum tender price of 101. The offering, the sixth by the government this year, brings to Fl 21.5bn the amount raised so far on the local capital market.

Third World borrowers 'will need $89bn more'

BY OUR EUROMARKETS CORRESPONDENT IN LONDON

THE TEN largest developing country borrowers in the Euromarkets face an "in-built need" for $89bn in new medium-term bank loans, which could increase their medium-term borrowings by 30 per cent between now and the end of 1985, according to a new study by American Express Bank.

The need has arisen because of the countries' excessive short-term borrowing, which now needs to be refinanced as well as their annual interest bill of some $30bn. It represents money that has to be raised before any borrowing can be undertaken for development purposes, Amex says in its latest monthly review.

The countries concerned are Algeria, Argentina, Brazil, Chile, Indonesia, South Korea, Mexico, Nigeria, Philippines and Venezuela. Superficially their plight gives "little cause for optimism," Amex says, although there are a number of factors which make the problem less bad than it appears.

For example, it points out that outstanding borrowings by these countries from the banks will not rise so quickly as a large part of the medium-term borrowing needs are to replace existing short-term borrowings. The growth of outstanding total borrowings from the banks only needs to rise by 14½ per cent over the next three years to meet their in-built medium-term needs.

At the same time some of the interest bill is being met by trade surpluses generated by the ten countries, and a fall in interest rates coupled with a healthy world economic recovery could have a rapid beneficial effect on their cash flow.

While these countries are pursuing austerity policies, their need for fresh medium-term loans for development policies has also dropped, Amex says. "However, the major borrowers cannot make large cuts in imports every year and look forward to vigorous economic growth in the longer run. The temporary move towards large trade surpluses ... cannot be expected to last much beyond 1984," it warns.

From a technical point of view the need for medium-term borrowings by these debtor countries is also likely to impose some strain on lending bank balance sheets, Amex says. "It theory an immediate rescheduling of all excess short-term credits would increase term outstandings overnight, by 43 per cent."

Mr Richard O'Brien, the bank's chief economist, said yesterday that he still believes that lower interest rates leading to a sustained economic recovery are the only real means of alleviating the debt crisis. Within three years "economic recovery would make a very great improvement to the liquidity position of the major LDCs, would improve their prospects of long-run solvency and simultaneously help restore banks' confidence in the business of term lending to LDCs," the review states.

The flow of funds from banks to developing countries has dried up since 1978 with inflows of $140bn barely exceeding the $126bn of interest paid on the outstanding debt.

The resulting balance of $14bn would be used up within six months on interest payments if no further net money is made available, the review states. It also points out that increased deposits by these borrower countries with foreign banks abroad may simply reflect capital flight as private individuals move their money abroad. These deposits are therefore not necessarily available to meet debt service costs incurred by the governments themselves.

Dutch banking

THE Dutch Banking and Finance survey, published on Tuesday, stated that 1983 first-half gross profits at the Nederlandse Creditbank rose by 12.5 per cent to Fl 47m. The percentage improvement was in fact 41 per cent.

WEEKLY U.S. BOND YIELDS (%)

	Sept 14	Sept 7	1983 High	1983 Low
Composite Corp. AAA	12.06	12.21	12.29	10.62
Composite Corp. AA	12.21	12.39	12.83	10.75
Governments:				
Long-term	11.59	11.61	11.99	10.13
Intermediate	11.52	11.83	12.03	9.83
Short-term	10.94	11.01	11.26	8.21
Municipal	n/a	9.71	9.95	8.72
Industrials AAA	11.76	12.01	12.33	10.51
Industrials AA	12.01	12.24	12.62	10.72
Utilities AAA	12.34	12.41	12.81	10.73
Utilities AA	12.41	12.54	13.05	10.86
Preferred Stocks	11.07	11.18	11.41	10.69

Source: Standard & Poor's

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for September 15.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amax O/S Fin 10¾ 90	100	92¾	93¼	-0⅛	-0½	11.93
Bank of America 0 88 XW	150†	85¾	86¾	0	+0⅝	12.23
Bank of Tokyo Hold 11 90	100	93⅝	93¾	-0⅛	-0⅝	12.47
British Col Hyd 10¼ 88	200	95¾	95⅝	-0¼	-0⅝	11.51
C.C.C.E. 11¾ 87	100	91⅞	91⅞	-0¼	-0¾	13.85
C.I.B.C. 11 90	75	90⅝	92⅝	+0⅛	+0¼	13.84
Citicorp O/S 10⅞ 90	100	91⅞	91⅞	-0¼	-0⅛	12.25
Coca Cola Int 9⅞ 92	100	92	92½	-0⅛	+0⅝	11.29
Cred Suisse BAH 10½ 90	150	94¼	94⅝	-0⅛	0	11.72
Credit Suisse 10½ 89	100	96½	97	0	+1¼	11.23
Den Norsk Cred 11¼ 93	50	91¾	92¼	-0⅛	-0⅛	12.71
Du Pont 11¼ 95	150	97½	98	-0¼	-0¼	11.58
E.C.S.C. 11⅞ 90	75	98⅝	98⅞	-0⅛	0	12.17
E.D.C. 10¾ 88	100	96⅛	96⅝	-0¼	-0⅛	11.83
E.D.C. 11¾ 87	100	99⅝	99⅞	-0¼	+0¼	11.85
E.D.F. 11⅛ 93	100	91	91½	0	+0⅛	12.72
E.E.C. 10¾ 85	75	87½	88	0	-0⅝	12.61
E.E.C. 11 87	350	97½	98	-0⅛	-0⅛	11.73
E.I.B. 10¾ 93	200	91⅛	91⅝	-0¼	0	12.30
E.I.B. 11 91	125	93½	94	-0⅛	+0⅛	12.29
Electrolux 10½ 90	50	91	91½	-0⅛	+0¼	12.47
Ensearch Fin 11⅝ 93	100	93¼	93¾	0	+0⅝	12.81
Fuji Int Fin 10⅞ 90	100	91½	92	0	+0⅛	12.75
Gen Elec Credit 9¾ 91	100	90½	91	-0⅛	+0⅝	11.50
GMAC O/S Fin 10½ 90	200	95¾	96¼	+0⅛	+0⅞	11.39
Honeywell Int 10¾ 90	100	96⅝	97⅛	-0¼	-0¼	11.42
Indust Bk Japan 10⅛ 88	100	95½	96	-0⅛	-0⅛	12.09
Japan Air Lines 10⅞ 88	42	90⅝	91⅛	0	+0⅛	12.22
Japan Air Lines 11 93	75	93¾	94¼	-0⅛	0	12.06
J. P. Morgan 11⅜ 90 XW	150	97½	98	-0⅛	-0⅛	11.85
Levi Strauss Int 11 90	75	95⅝	95⅞	0	+0⅝	11.95
L.T.C.B. 10¾ 90	100	91¼	91¾	-0⅛	+0⅝	12.68
Merrill Lynch 10⅝ 90	200	94⅛	94⅝	-0¼	+1⅛	11.67
Midland Int Fin 11½ 92	150	95⅝	96⅛	0	+0¼	12.25
Mitsubishi Corp 10½ 90	100	92½	93	-0⅛	-0½	12.12
Mitsubishi Fin 11⅜ 90	100	93½	94	-0⅛	-0⅞	12.78
Nippon Credit 11 90	100	92¼	92¾	0	+0½	12.70
Nippon Credit 11¼ 93	100	92⅜	92⅞	-0⅝	+0¼	12.80
O.K.B. 10 91	100	88⅜	88⅞	0	-0⅝	12.25
Ontario Hydro 10¼ 90	250	92	92½	-0¼	-0⅝	11.97
Ontario Hydro 11¼ 89	200	98	98½	-0⅛	-0¼	11.63
Ontario Hydro 12⅝ 92	200	102¼	102⅝	-0⅜	-0¼	12.29
Prudential O/S 10⅝ 93	100	94⅜	94⅞	-0⅛	+0¼	11.56
Prudential O/S 12¾ 87	150	103¼	103¾	-0¼	-0⅝	11.61
Saskatchewan Pr 10¾ 90	125	93⅝	94⅛	-0⅛	-0⅛	12.13
S.N.C.F. 11½ 93	100	94¼	94¾	-0½	-0½	12.49
Sth Cal Edison 10½ 90	75	94½	95	-0⅛	+0⅛	11.65
Sumitomo Fin 10⅞ 90	100	91⅜	91⅞	-0⅛	0	12.78
Swiss Bk Corp 10¼ 90	250	95⅝	96⅛	-0¼	+0⅞	11.17
Texaco Capital 9¾ 90	150	92⅜	92⅞	0	0	11.39
U.B.S. 10 88	100	95½	96	-0⅛	-0½	11.19
U.B.S. 11 89	150	98⅞	99⅜	-0⅛	-0⅞	11.18
Westpac Int Fin 11 90	100†	91½	92	0	+1	12.88
World Bank 10⅜ 88	150	95½	96	-0⅛	+0⅝	11.59
World Bank 10⅞ 93	100	92⅞	93⅜	-0¼	0	12.10
World Bank 11¼ 88	100	97⅞	98⅜	0	+0½	11.76
World Bank 11½ 90	150	96¾	97¼	-0¼	+0⅛	12.15

Av. price changes: on day −⅛, on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 7⅜ 93	100	97½	98¼	-0⅛	-0⅛	7.88
A.N.A.S. 8¼ 88	100	99	99½	-0⅝	-0½	8.43
Austria, Rep 7⅝ 89	100	98¼	98¾	0	-0¼	7.95
Austria, Rep 8 93	100	99⅝	100⅛	0	-0⅛	8.01
Avon Int Fin 7½ 93	100	97¼	97¾	0	-0⅛	7.88
B.F.C.E. 8¼ 90	150	99	99½	-0⅛	-0½	8.39
Comp Tel Mac Exp 8¼ 93	100	94½	95½	0	+0⅛	9.03
Deutsche Bank 3¾ 91 WW	240	105⅞	106⅝	+0⅛	-0¾	2.87
Deutsche Bank 3¾ 91 XW	240	88	88½	0	-0⅛	7.18
Dresdner Finance 4 90 WW	250	108⅛	109⅛	0	+0⅞	2.89
Dresdner Finance 4 90 XW	250	83	83½	0	-0¼	7.28
E.C.S.C. 8 90	100	98⅝	99⅞	+0⅛	-0⅛	8.07
E.E.C. 8¼ 93	250	99⅞	100⅝	-0⅛	-0¼	8.22
Eurofima 7½ 90	100	98	98½	0	+0⅛	7.83
Finland Rep 7½ 88	150	98	98¾	-0⅝	-0⅝	7.92
Int-Am Dev Bk 7¾ 93	200	94⅞	95⅞	-0¼	+0¼	8.58
Int Standard Ele 7¾ 93	100	98⅞	98⅞	0	0	7.95
Japan Dev Bank 7½ 90	100	98⅞	99⅜	0	0	7.66
Kobe City 7 93	120	94⅞	95⅜	0	-0⅛	7.72
L.T.C.B. 8 90	100	99⅛	99⅝	-0⅛	0	8.12
Renault Acceptance 8 90	150	96¾	97¼	-0¼	-0⅜	8.59
S.D.F. France 7⅞ 93	100	96¼	97	-0⅛	-0⅛	8.39
Sth African Tran 8¼ 90	100	98⅞	99⅝	+0⅛	+0¾	8.39
Volkswagen Int 7¼ 93	200	94⅞	95⅝	-0⅛	+0¼	7.99
World Bank 7½ 90	250	96	96½	-0⅝	-0½	8.24
World Bank 7½ 93	300	94¾	95¼	-0⅝	-0½	8.26

Av. price changes: on day −⅛, on week −½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AKZO 5⅝ 93	100	98⅝	99	+0¼	+0¼	5.78
Bank of Tokyo 6 91	100	101¼	101½	-0¼	-0¼	5.78
Bergen, City of 5¾ 95	40	98½	99	-0⅝	-0⅝	5.98
Carls-Tuborg Brw 5¾ 93	60	101¾	102	0	+0½	5.49
Chujitsuya Co 5⅞ 93	50	96⅝	97¼	-0⅝	+0⅛	6.38
Denmark 6⅝ 91	100	102	102¼	+0¼	+0½	6.02
E.D.C. 5⅝ 91	100	98¾	99½	-0⅝	0	5.84
E.I.B. 5¾ 93	100	99	99¼	0	-0⅛	5.87
Ex-Im Bk Japan 5⅝ 91	100	98	98¼	0	0	5.93
Ind Fund Finland 6¼ 91	40	100⅝	100⅞	0	0	6.13
Int-Am Dev Bk 6⅛ 93	100	102	102¼	0	+1	5.83
Japan Dev Bank 5½ 93	100	97¼	97¾	0	-0⅞	5.84
Kansai Elec Power 6 91	100	101½	101¾	0	-0⅛	5.73
Kawasaki Steel 6⅛ 91	100	101⅛	101⅞	-0⅛	-0¼	5.92
Montreal Urban 5¾ 93	100	100¼	100½	-0⅛	0	5.69
Mount Isa Finance 6 93	100	102½	102¾	+0⅛	+0¼	5.64
Nisshin Steel 6¼ 91	100	99⅝	99⅝	-0½	-0⅝	6.33
Norsk Hydro 5½ 88	100	97	97¼	+1	-0⅛	5.79
Osterr Draukraft 6 93	100	102	102¼	-0⅛	-0⅝	5.71
Osterr Post 6⅛ 91	100	102½	102¾	0	0	5.69
Quebec Hydro 5½ 93	100	100½	100¾	-0¼	0	5.41
Sekisui House 6 93	100	101⅛	101⅜	+0⅛	-0⅛	5.82
Sumitomo Metal Ind 6 91	100	100½	100¾	-0⅝	-0⅝	5.89
Tohoku Elec Power 6 93	100	100½	100¾	0	+0¼	5.91
Triuzc Corp 6⅛ 91	100	101¾	102	+0⅛	+0¼	5.83
World Bank 5⅝ 93	100	97¾	98	+0¼	+0⅝	5.92

Av. price changes: on day 0, on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 92	15	103⅞	104⅜	0	0	7.97
E.I.B. 8¼ 92	15	101¾	102¼	-0⅛	0	7.92
Japan Airlines 7⅞ 87	9†	101⅞	102½	0	0	7.19
New Zealand 7⅝ 89	15	101⅞	102¼	0	+0¼	7.20
World Bank 8⅛ 92	20	102¾	103¼	0	0	7.86

Av. price changes: on day 0, on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
British Col 11¾ 93 CS	25†	93⅞	94⅜	+0⅛	-0⅛	12.91
Can Pac Secs 11⅞ 90 CS	75†	97¾	98¼	-0⅛	-0¼	12.38
Charb France 11⅛ 95 CS	40†	93¼	93¾	-0¼	-0⅝	12.96
Norcen 12¾ 93 CS	60†	95	95½	-0¼	+0¼	13.84
TD MTG Corp 12½ 88 CS	40†	99	99½	-0⅛	0	12.71
Quebec Province 12 93 CS	50†	98¼	98¾	-0⅛	0	12.25
Xerox Canada 12 88 CS	40†	99⅜	99⅞	+0¼	+1⅜	12.10
Forsmarks 11½ 98 ECU	40	103	103¾	0	+0⅝	11.01
Svenska 11¼ 91 ECU	40	99⅛	99⅝	0	-0⅝	11.32
Cassel Foods 7¼ 88 Fl	100	95⅛	95⅝	0	+0⅛	8.50
Elect Supply 6¾ 88 Fl	75	96	96½	0	+0⅛	6.76
Nederland Gas 7½ 88 Fl	100	98⅞	98⅞	0	+0⅝	7.86
Philips Lamps 7¼ 88 Fl	100	97½	98	+0⅛	+0⅝	7.84
P.H.P. ¾ 88 Fl	50	99⅞	99⅞	0	0	8.84
Swed Exp Cred 7¾ 88 Fl	100	94¾	95½	+0⅛	+0¼	9.08
O.K.B. 14 86 FF	400	100⅞	101⅞	0	0	13.19
Solvay & Cie 14¾ 86 FF	200	102	103	0	+0⅛	13.39
B.F.C.E. 11½ 88 £	50	96⅞	97⅝	0	+1	12.27
British Oxyg 11¾ 91 £	50	100⅛	100⅝	-0⅛	+0½	11.62
CEPME 11¼ 95 £	35	98¼	99¼	0	-0¼	11.43
E.E.C. 11⅞ 91 £	50	100	101	0	-0⅛	11.74
Fin For Ind 10½ 90 £	30	94⅞	95⅞	+0⅛	-0⅛	11.59
Fin For Ind 12¼ 88 £	30	102⅝	103⅝	-0¼	-0⅝	11.38
Fin Mat Oranj 12⅝ 92 £	30	101⅝	102⅝	+0⅛	+0⅛	12.21
Gen Elec Co 12½ 89 £	50	102½	103½	+0⅛	-0¼	11.88
Mort Bk Fin 11⅜ 88 £	15	96⅛	97⅛	0	+0½	12.54
Norsk Hydro 12 90 £	30	101⅞	102⅞	0	+0⅜	11.42
Quebec 14½ 89 £	30	108⅞	109⅞	-0⅛	-0⅛	12.29
S.N.C.F. 11½ 88 £	30	96¼	97¼	0	-0⅛	12.27
Sweden 11¼ 93 £	50	93¾	94¾	+0⅛	+0¼	12.27
Swed Exp Cred 11¼ 88 £	30	96⅝	97⅝	0	+0⅛	12.04
World Bank 11⅛ 88 £	100	97⅛	98⅛	+0⅛	+0⅛	11.74
World Bank 11⅜ 91 £	75	99⅛	100⅛	+0⅛	0	11.40
Euratom 11 93 LuxFr	500	102⅛	103⅛	0	-0⅛	10.52
Europarat 10⅝ 93 LuxFr	600	102½	103½	0	+0⅝	10.22

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
B.F.C.E. 5¼ 87	0¼	99½	99¾	27/1	10⅞	10.92
B.F.C.E. 5¼ 88	0¼	99¼	99½	28/1	10.18	10.24
Caisse Nat Tele 5¼ 90	0¼	99⅛	99⅝	21/10	9.56	9.63
C.C.F. 5¼ 95	0¼	99	99¼	7/10	10.19	10.28
C.C.F. 5⅛ 98	0¼	99¾	100	24/9	9.94	9.95
Cepme 5¼ 88 WW	0¼	99½	100	3/12	10.56	10.58
Cepme 5¼ 92	0¼	99½	99¾	10/12	10½	10.54
Chemical NY 5¼ 94 ††	0¼	100½	100¾	23/9	10.82	10.75
C.N.C.A. 5¼ 95 XW	0¼	99¼	99¾	7/12	10	10.05
C.N.T. 5¼ 91	0¼	99⅛	99⅝	6/11	9¼	9.32
Credit Agricole 5¼ 97	0¼	99¼	99½	24/9	10	10.06
Credit Lyonnais 5¼ 94	0¼	99⅛	99⅜	6/1	10.31	10.39
Credit Lyonnais 5¼ 97	0¼	99¼	99½	1/10	10.06	10.13
Credit Nat 5¼ 94	0⅛	99⅞	99⅞	9/4	10⅝	10.64
E.D.F. 5¼ 95 XW	0¼	99¾	100	10/2	11⅜	11.39
E.E.C. 5 90	0⅛	99⅞	100⅛	6/1	10.19	10.19
Kansallis Osake 5½ 92	0¼	100⅛	100½	8/11	9⅞	9.89
Long Term Cred 5¼ 92	0⅛	100	100¼	27/11	9¾	9.74
J.P. Morgan 5¼ 97 S	0⅛	100⅝	101	12/11	10.81	10.72
New Zealand 5¼ 87	0⅛	100⅛	100⅜	7/10	10.06	10.03
NZ Steel Dev 5¼ 92	0¼	100	100½	22/12	10¼	10.22
Nippon Credit 5¼ 90	0⅛	100½	100¾	10/2	11¼	11.18
Soc Generale 5¼ 90 XW	0⅛	99	99¼	9/11	9⅛	9.21
Société Générale 5¼ 95	0¼	99⅞	99⅝	1/3	10.31	10.35
Sweden 5⅛ 89	0¼	100	100¼	25/2	10.19	10.18
Sweden 5¼ 93	0¼	100½	100¾	3/2	11.19	11.12

Av. price changes: on day 0, on week +⅛

CONVERTIBLE BONDS	Conv. date	Conv. price	Bid	Offer	Chg. day	Prem
Bridgestone Tire 5½ 96	3/82	470	103½	105	-0½	2.45
Canon 7 97	7/82	748.2	226¾	228½	+1	18.94
Daiwa Sec Co 5½ 98	10/83	580	96¾	98	-0⅛	2.53
Hitachi Cable 5¼ 96	2/82	515	108½	110	+0⅛	10.15
Honda Motor 5⅛ 98	6/83	884	97⅞	98⅞	0	3.23
Honda Motor 5½ 97	3/82	759.6	113¾	114⅞	-0⅝	2.42
Kumagai Gumi 6½ 97	10/82	480	119¼	121	+2⅞	8.94
Kyowa Hakko 6¾ 97	2/83	702	115¾	117¼	+0⅛	12.44
Minebea Co Ltd. 5½ 98	5/83	667	127⅛	128⅛	+0⅛	8.58
Mitsubishi Electric 5¾ 98	6/83	396	109⅛	110⅛	+0⅞	7.59
Nippon Electric 5¾ 97	2/82	705.9	182¾	184½	+0½	6.35
Nippon Oil Co 5½ 98	4/83	954	105⅝	106⅝	+0¾	11.78
Nissan Motor 5¾ 98	4/83	770	90⅛	91⅛	0	-9.27
Olympus Optical 6¾ 97	12/82	1331	102⅛	103⅝	+0½	11.48
Orient Finance 5¾ 97	3/82	927.2	88¾	88⅝	-0⅛	13.76
Orient Leasing 5¾ 98	8/83	2680	94¼	95⅛	-0⅛	-3.72
Secom 5 98	11/83	2920	117⅛	118⅝	+0¼	6.14
Sumitomo Electric 5½ 97	3/82	577.3	111¾	113¼	-0¼	6.91
Sumitomo Metal 5¾ 96	10/81	296.1	70⅝	72⅛	+0⅝	35.18
Yamaichi Sec Co 5 98	8/83	472	93¾	95¼	+0⅛	0.50
NEC Corp 3½ 93 SF	6/83	978	148¾	150¾	+0⅛	-0.73
Sanyo Electric 3½ 93 SF	5/83	501	105½	107½	-0½	15.67
Konishiroku 6¾ 88 DM	6/82	616	117⅝	118⅝	-0⅝	1.81
Mitsubishi Heavy 6 88 DM	2/82	263	111	112	+0⅛	5.81
Sum Realty 6¼ 92 DM	2/83	385	118⅛	119⅝	0	-2.48

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week — Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date — Date next coupon becomes effective. Spread — Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. — current coupon. Co. yld — current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day — Change on day. Cnv. date — First date for conversion into shares. Cnv. price — Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem — Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

هكذا في الأصل